

**ROGERS**

*Lantic*



# The Power of Our People

ACROSS OUR COMMUNITIES

2021 ANNUAL REPORT



**We work effectively as a team and deliver  
what we promise: **the best quality sugars and  
sweeteners to satisfy our customers****

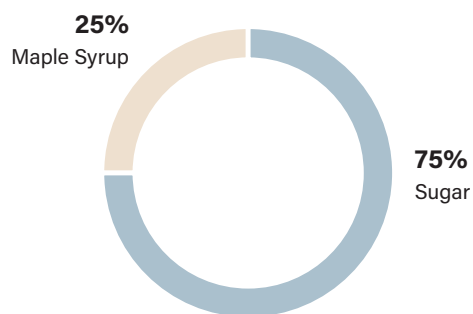


ROGERS holds all of the common shares of Lantic Inc., which operates cane sugar refineries in Montreal, Québec and Vancouver, British Columbia, as well as the only Canadian sugar beet processing facility in Taber, Alberta. Lantic/Rogers' products include granulated (regular and organic), brown, icing, liquid, cubed sugars and specialty syrups, as well as stevia, agave, organic coconut sugar, Plantation Raw™ sugar, maple sugar and flakes and other dry blends.



LANTIC also owns all of the common shares of The Maple Treat Corporation ("TMTC"). TMTC operates plants in Granby, Dégelis and in St-Honoré-de-Shenley, Québec and in Websterville, Vermont. TMTC's products include maple syrup and derived maple syrup products and are sold under various brand names, such as TMTC, Uncle Luke's, Decacer and Highland SugarWorks.

### **Sugar vs. Maple syrup Products**



### **Geographic Distribution**

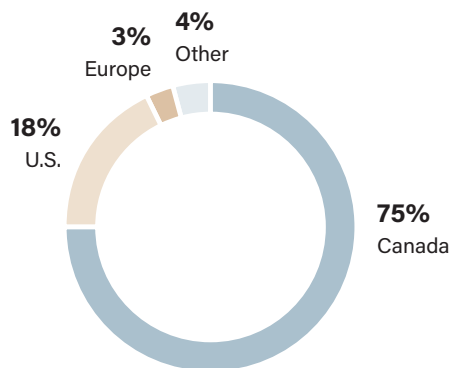




Photo: Maple syrup farm

### Dividend Paid (thousand of \$)

	DEC	MAR	JUN	SEP	TOTAL
Fiscal 2021	9,318	9,318	9,318	9,333	37,287
Fiscal 2020	9,440	9,423	9,320	9,318	37,501

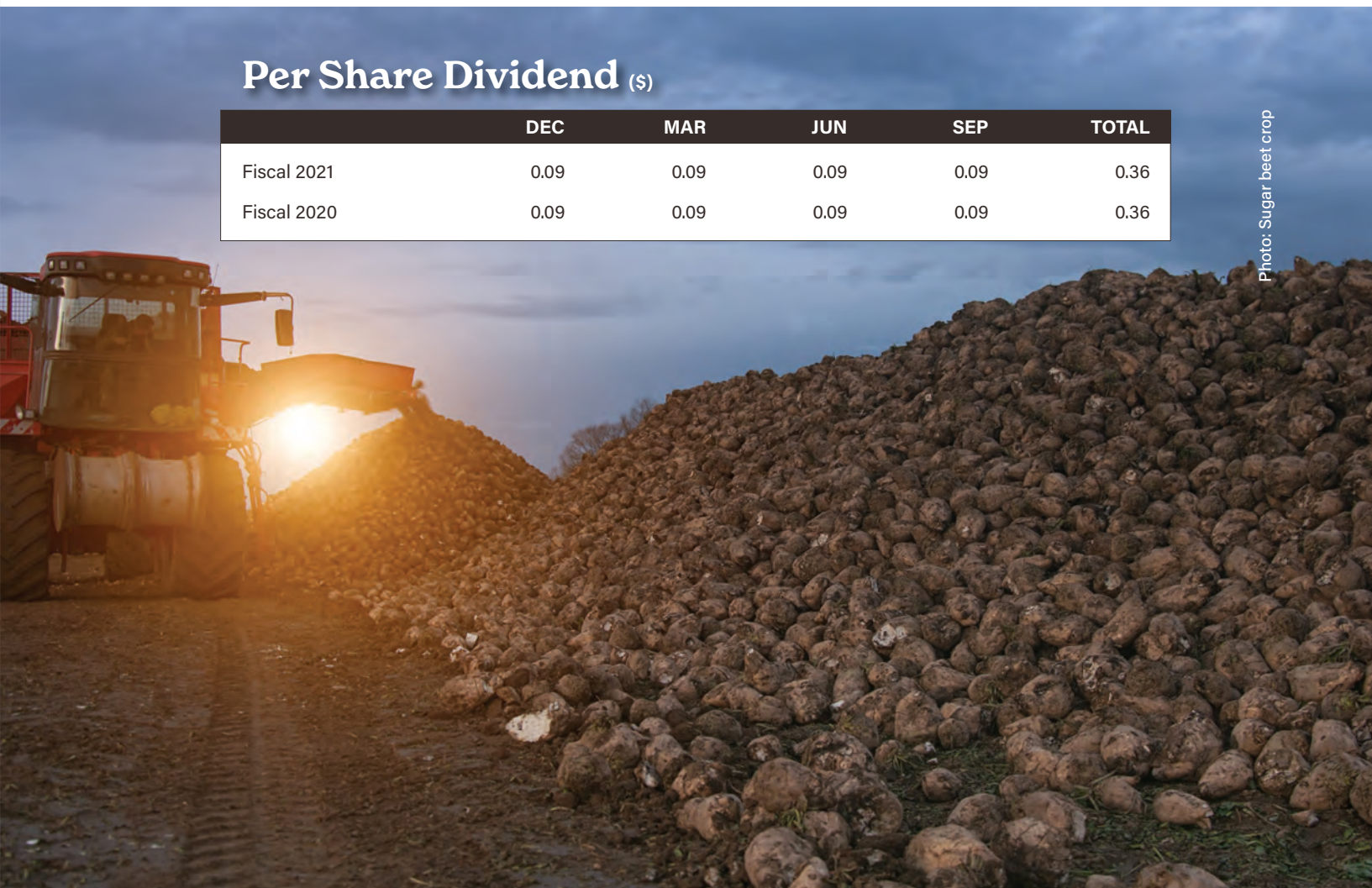


Photo: Sugar beet crop

### Per Share Dividend (\$)

	DEC	MAR	JUN	SEP	TOTAL
Fiscal 2021	0.09	0.09	0.09	0.09	0.36
Fiscal 2020	0.09	0.09	0.09	0.09	0.36



## The Power of Our People Across Our Communities

The power of our people manifested itself across our communities in 2021. Although the COVID-19 pandemic continued to create volatility, the resilience of our employees allowed Rogers Sugar to fulfill its essential role in the Canadian food supply chain.

From coast to coast, our dedicated workforce met challenges head-on. Be it inclement weather affecting the sugar beet crop in Alberta, labour shortages and transportation issues disrupting our product pipeline, or the ongoing pandemic impacting our day-to-day operations, our teams delivered with true grit and passion.

Based upon this unwavering commitment to serving our customers, Rogers Sugar strengthened its leadership position in the sugar and maple syrup markets in 2021.



## 2021 Highlights

- Rogers Sugar generated adjusted EBITDA of \$91.0 million in 2021, despite one less operating week compared to 2020
- The Sugar business delivered a record 779,500 metric tonnes of sugar in 2021
- The Sugar segment's adjusted EBITDA reached \$74.6 million in 2021, down 5.4% year-over-year, due to non-recurring issues that negatively affected the business
- The Maple segment's adjusted EBITDA improved 22% year-over-year to \$16.4 million in 2021 on the strength of increased product margins and operational efficiencies
- Free cash flow for the trailing 12 months ended October 2, 2021 totaled \$45.5 million, slightly down compared to 2020
- The company published its first Environmental, Social and Governance report in June 2021, reflecting its commitment to sustainability and how ESG has become an integral part of its business and corporate strategy
- Mike Walton was appointed President and CEO of Rogers Sugar and Lantic Inc. in a seamless leadership transition process, following the retirement of John Holliday in October 2021





## Dallas H. Ross

### Chairman

To my fellow shareholders:

During the fiscal year ended October 2, 2021, our business continued to experience volatility from the COVID-19 pandemic. This situation affected both of our business segments throughout the year at various levels. In the fourth quarter of the fiscal year, we noted greater stability in demand and we are hopeful that this trend will continue in the future.

The business delivered adjusted EBITDA of \$91.0 million for the fiscal year compared to \$92.3 million last year. While lower than the comparable period last year, these results have one-less operating week in fiscal 2021 and reflect some unexpected challenges encountered mainly in our Sugar segment.

In fiscal 2021, our financial results were negatively impacted by issues we anticipate will not occur in 2022. Overall, we believe our adjusted EBITDA of 2021 was negatively impacted by more than \$10.0 million in relation with such issues. This includes weather-related unfavourable impacts on the sugar beet crop in Alberta, the costs associated with the recognition of a prior period past service charge related to the new Montreal refinery collective bargaining agreement and the lingering effects of COVID-19 related expenditures for preventive measures and logistics.

Despite the challenges, the management team executed an effective mitigation plan to deliver solid financial results and ensure our valued customers were not impacted. Our Sugar Business segment sold more sugar in fiscal 2021 than in recent years with total sales of 779,500 metric tonnes. The increase in volume reflects incremental sales in our liquid and export segments, which more than compensated the reduction we noted in our consumer retail segment from the COVID-19 volatility. Looking forward, we expect domestic sales to return to a more traditional mix and export sales to return to prior years level.

This past year, the operations of our Maple business segment have improved with the full integration of our manufacturing value chain. This business segment delivered \$16.4 million in adjusted EBITDA in 2021, an improvement of 22% over 2020. We are seeing benefits from optimizing product margins and delivering operational efficiencies. We have the leading market share and will continue to develop and strengthen it by providing high quality products reliably to our existing and new customers.

Net earnings for 2021 amounted to \$47.5 million or \$0.46 per share. Free cash flow for the same period amounted to \$45.5 million. During the year, we paid a dividend of \$0.09 per share every quarter, totalling \$0.36 per share for the year, for a total amount paid of \$37.3 million in 2021.

During the year, we decided to take advantage of favourable long term financial market conditions and issued a private placement of \$100 million for a term of 10 years at an annual fixed interest rate of 3.49%. The net proceeds were used to reduce the amount of our revolving credit facility.

At the end of August, we announced John Holliday's retirement as President and CEO of the Company. On behalf of the entire Board of Directors, I would like to express our gratitude to John for his devotion to the organization over the last 7 years. Since joining, John has worked tirelessly to build a company that is both operationally and financially resilient. He also led our diversification efforts into the Maple business. His resilience and leadership were instrumental in navigating through the volatility and challenges created by the pandemic and Alberta sugar beet issues in recent years. As part of our leadership transition process, John remains as a Strategic Advisor for our new President and CEO, Mike Walton, to access as needed until April 2022.

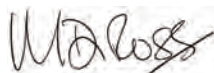
The Board of Directors has full confidence in Mike and we welcome him to his new role. Mike has been part of the Rogers Sugar team for more than four decades and possesses a deep knowledge of all aspects of the business. We look forward to his leadership and direction as we continue to advance and execute upon our strategy.

For fiscal 2022, we anticipate improved financial performance supported by the maturing of our Maple business segment and a return to normal in customer sales mix and operational conditions for our Sugar segment.

I would like to take a moment to thank our management team and all our employees for their dedication and commitment throughout the year. Our team continues to deliver creative and timely solutions to fully meet the needs of our customers.

Finally, I would like to conclude by thanking you, our shareholders for your continuing support.

On behalf of the Board of Directors,



**Dallas H. Ross**

Chairman



## **John Holliday**

### **Former President and CEO**

In fiscal 2021, the world began to shift with the gradual reopening of the economy. The rebuilding of pre-pandemic supply pipelines, along with the difficulties created through labour and transportation disruptions during the COVID-19 pandemic, added to the day-to-day challenges of operating our business. We are an essential component of the Canadian food supply chain and, as such during these difficult and unprecedented times, the commitment of our employees allowed us to respond to the circumstances and continuously deliver our essential ingredients to our customers who depend on us.

In the early part of the fiscal year, we faced weather-related issues with our sugar beet crop in Alberta, increasing the costs incurred to satisfy our customer demand. We quickly adjusted our supply chain through the commitment of our operations and commercial teams. We also quickly responded to this shortfall and ensured continuous uninterrupted service to our customers.

Our Maple business delivered solid results in 2021, driven by higher sales margins and increased operational efficiencies. Our adjusted EBITDA for this business segment increased by \$3.0 million from 2020. The outlook for this business segment is good and we are moving forward with our business strategy and have now established a solid foundation for the future.

Considering the challenges we encountered in 2021 and the strong performance of our Maple segment, I am pleased to report strong financial results with an adjusted EBITDA of \$91.0 million. This stability aligned with last year's results, considering that we had one less operating week in the current year.



The flexibility in our manufacturing platform served us well and allowed us to take advantage of opportunities as they arose. In 2021, the volatility from the COVID-19 pandemic had an unfavourable impact on the profitability of our sales mix. That being said, when the food industry demand stabilized, we saw positive impacts in our exports and liquid volumes and were able to mitigate the issue by increasing sales volume. Overall, we delivered a total of over 779,500 metric tonnes of sugar to our customers, which represents a record for our operations.

I would also like to highlight that in a decision rendered in August 2021, the Canadian International Trade Tribunal maintained anti-dumping tariffs against the EU, U.K. and U.S. sugar producers for the next five years. These tariffs were established in 1995 and are critical for the maintenance of fair trade and are highly important for the stability of the Canadian food supply chain.

In June 2021, we published our first Environmental, Social and Governance (“ESG”) report. This report demonstrates our commitment to sustainability and allows us to share our vision as this is an integral part of our business and corporate strategy. We intend to build on this initial report as we will share trends, milestones and future ESG plans.

At the end of August, I announced that I was stepping down from my position of President and CEO and retiring at the end of fiscal 2021. During my time, the organization has evolved from a sugar refiner to a leading supplier of natural sweeteners, including our leading position in the Maple business. These changes have had a positive impact on the profitability and the sustainability of our business and will create value for our shareholders for years to come. I am very proud of the team that supported me throughout the years, allowing us to build a sustainable organization and to deliver an essential food ingredient throughout the unprecedented conditions created by the COVID-19 pandemic. I would like to extend my gratitude to the Board of Directors, the management team, shareholders and to every one of my colleagues for their dedication and their many contributions over the past seven years.

While I have officially retired as President and CEO, I will remain with the Company until the end of April 2022 in the capacity of Strategic Advisor to support our new CEO, Mike Walton. Mike is a highly skilled industry veteran who brings a wealth of experience to the role. He is accompanied and supported by talented executive team members who are able and willing to move the business forward.

As a fellow shareholder, I look forward to watching Mike lead the business and advance our strategy of steady and sustainable growth, providing a stable return to our shareholders. It has been a pleasure to work alongside employees who have passion and pride in the work they do for our customers.

Sincerely,



**John Holliday**

Former President and Chief Executive Officer



## Michael Walton

### President and CEO

On behalf of the executive team and all employees, I would like to extend heartfelt congratulations to John on his retirement and express our gratitude for his thoughtful and tireless leadership over the course of his tenure. His leadership has been instrumental in our success, particularly over the course of the pandemic.

The organization has a solid foundation on which we will continue to build. We remain on the right trajectory with our business strategy to deliver strong financial results for our shareholders and offer a best-in-class portfolio of natural sweet solutions to our customers.

After over forty years with the organization, I feel honoured and humbled by my appointment as the new President and CEO. As we have over many years, I am confident that we will continue to work in the best interests of all stakeholders and improve our business and meet ongoing challenges.

Finally, I would like to say a few words about our people, our most valuable asset. Our employees set the standard with our customers and make the company a great place to work. I sincerely thank them for their commitment to delivering on our business objectives and serving our customers well every day. I value the team and the culture we have built over the years and look forward to continuing the tradition of excellence of our organization.

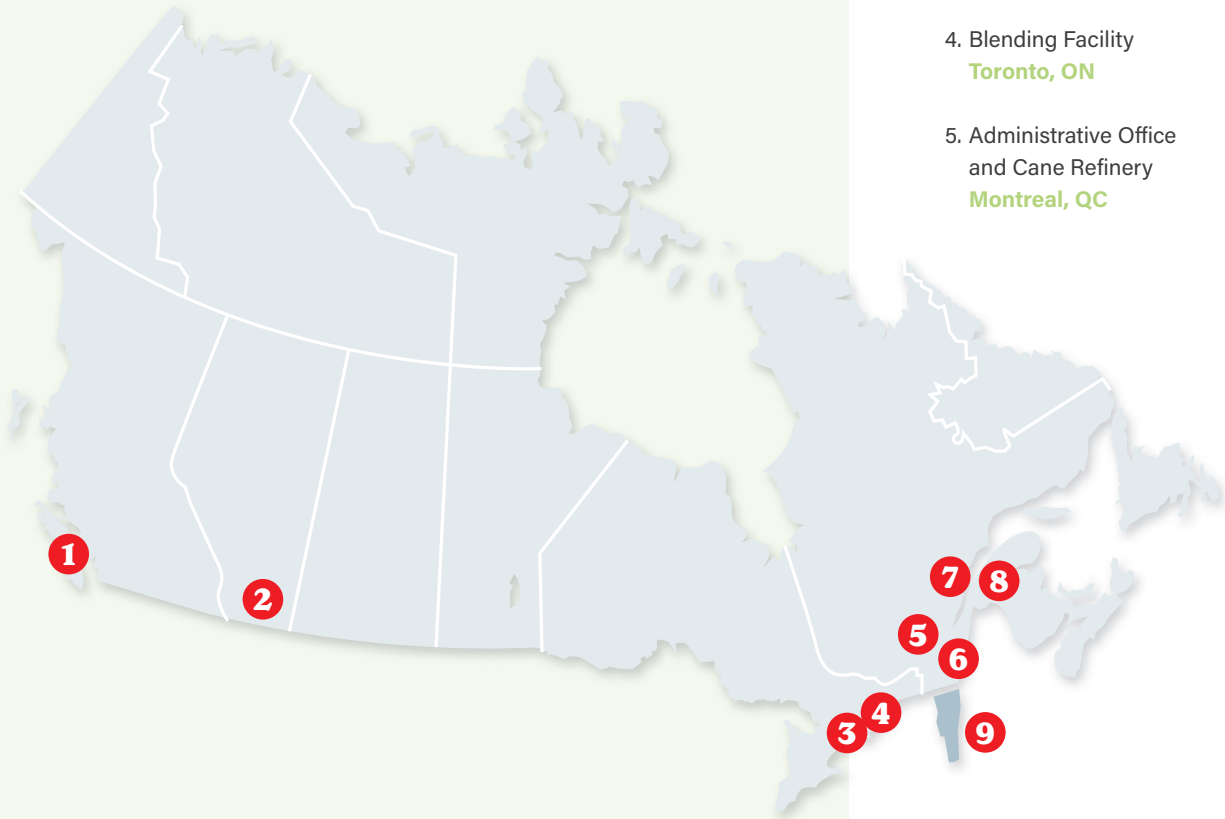
Sincerely,

A handwritten signature in black ink, appearing to read 'M. Walton', written over a light grey, textured background.

**Michael Walton**  
President and Chief Executive Officer

# The Power of Our Network

## Across Our Communities



### Rogers

1. Head Office and Cane Refinery  
Vancouver, BC
2. Beet Plant  
Taber, AB
3. Distribution Centre  
Toronto, ON
4. Blending Facility  
Toronto, ON
5. Administrative Office and Cane Refinery  
Montreal, QC

### TMTC

6. Head Office, Bottling Plant, Eastern Sales and Distribution  
Granby, QC
7. Bottling Plant, Warehousing and Shipping  
Saint-Honoré-de-Shenley, QC
8. Bottling Plant, Warehousing and Shipping  
Dégelis, QC
9. Bottling Plant, Warehousing and Shipping  
Websterville, VT



# Our First Environmental, Social and Governance Report

Rogers Sugar has been committed to core Environmental, Social and Governance (ESG) principles for many years. As a food manufacturer with nine facilities, we understand the impact our operations and products have on the environment and consumers alike. In recent years, we have implemented numerous ESG initiatives such as completing sustainability audits at some of our processing facilities, improving our health and safety procedures, and increasing diversity at the Board level, all of which have contributed positively to our business.

To build on these achievements and to set the foundation for our formal ESG process, we conducted a materiality assessment internally. The results from this analysis helped us determine which areas we should prioritize. The key indicators we chose to present in our initial report include metrics we were already tracking, many of which were from our Sugar segment.

Our Board and company's values have always driven our business priorities which, in turn, already embrace some of the key principles of ESG. We conduct regular reviews of business monitoring outcomes through established management systems, including continuous improvement targets for Environmental compliance, health and safety, and energy and water usage. Several of our internal ESG targets are directly linked to management's compensation as we strongly believe sustainability drives better business outcomes and reduces risks.

Our first ESG report, which was published in June 2021, should be considered a base from which we will build. In time, we intend to integrate the results from our Maple segment, share additional ESG metrics that are critical to our business, and eventually develop ESG targets to measure our progress against a broader set of objectives that align with our internal and external materiality assessments.

**John Holliday**

Former President and Chief Executive Officer

*To view the complete ESG Report, go to:*

[www.lanticrogers.com/media/financial-reports/2021/06/rsi\\_esg\\_report\\_2021\\_en.pdf](http://www.lanticrogers.com/media/financial-reports/2021/06/rsi_esg_report_2021_en.pdf)

# ESG Highlights



## Environment

**3,665,807**

Total energy use (GJ)<sup>(1)</sup>

**192,886**

GHG emissions (tCO<sub>2</sub>e)<sup>(1)</sup>



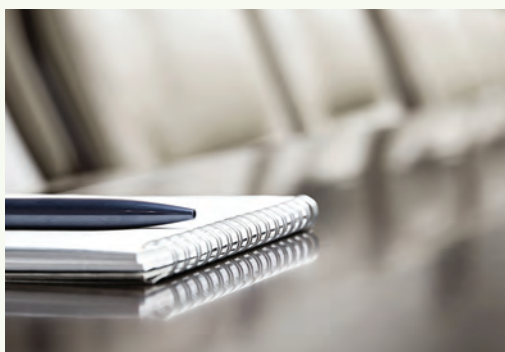
## Social

**\$300K**

Charitable donations

**-15%**

Reduction in lost time recordable incident rate in last 3 years<sup>(1)</sup>



## Governance

**17%**

Women on Rogers' Board

**100%**

Managers' incentive pay is linked to one or more ESG objectives<sup>(1)</sup>

<sup>(1)</sup> Data for Sugar production facilities only. All figures based on 2020.



# Management's Discussion and Analysis

## Consolidated Financial Statements

FOR THE FISCAL YEARS ENDED  
OCTOBER 2, 2021 AND OCTOBER 3, 2020

**ROGERS**

*Lantic*



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This Management's Discussion and Analysis ("MD&A") of Rogers Sugar Inc.'s ("Rogers", "RSI" or "our", "we", "us") dated November 24, 2021, should be read in conjunction with the audited consolidated financial statements and related notes for the years ended October 2, 2021 and October 3, 2020. Our MD&A and consolidated financial statements are prepared using a fiscal year which typically consists of 52 weeks, however, every five years, a fiscal year consists of 53 weeks. The fiscal years ended October 2, 2021 and September 28, 2019 consist of 52 weeks and the fiscal year ended October 3, 2020 consists of 53 weeks.

All financial information contained in this MD&A and audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are in Canadian dollars unless otherwise noted, and the term "dollar", as well as the symbol "\$", designate Canadian dollars unless otherwise indicated.

Management is responsible for preparing the MD&A. Rogers's audited consolidated financial statements and MD&A have been approved by its Board of Directors upon the recommendation of its Audit Committee prior to release.

Additional information relating to Rogers, Lantic Inc. ("Lantic") (Rogers and Lantic together referred as the "Sugar segment"), The Maple Treat Corporation ("TMTC") and Highland Sugarworks Inc. ("Highland") (the latter two companies together referred to as "TMTC" or the "Maple products segment"), including the annual information form, quarterly and annual reports, management proxy circular, short form prospectus and various press releases is available on Rogers's website at [www.LanticRogers.com](http://www.LanticRogers.com) or on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") website at [www.sedar.com](http://www.sedar.com). Information contained in or otherwise accessible through our website does not form part of this MD&A and is not incorporated into the MD&A by reference.

## OUR BUSINESS

Rogers has a long history of providing high quality sugar products to the Canadian market and has been operating since 1888. We are the largest refined sugar producer in Canada and the largest maple syrup bottler in the world. Our aspiration is to become a leading North American natural sweetener supplier by executing our strategies through operational excellence and market access. On August 5 and November 18, 2017, we made progress in our third strategy by acquiring TMTC and Decacer. As a result, we diversified and solidified our leadership position in this growing natural sweetener

market. Our Business has two distinct segments - Sugar - which includes refined sugar and by-products and Maple - which includes maple syrup and maple derived products.

Rogers' head office is in Vancouver, British Columbia and its administrative office is located in Montréal, Québec.

Our 900 employees are key to our success and employee safety is continuously at the forefront of our priorities. Each of our manufacturing operations incorporates occupational health and safety components in its annual planning which are reviewed weekly by senior management and quarterly by the Board of Directors.

## SUGAR

### Facilities

Lantic is the only sugar producer with operating facilities across Canada with cane refineries in Montréal and Vancouver and a sugar beet factory in Taber, Alberta. Lantic also operates a custom blending and packaging operation and a distribution center in Toronto, Ontario. The strategic location of these facilities confers operating flexibility and the ability to service all customers across the country efficiently and on a timely basis.

### Our Products

All Lantic operations supply high quality white sugar as well as a broad portfolio of specialty products which are differentiated by colour, granulation, packaging format and raw material source.

Sales are focused in four specific market segments: industrial, consumer, liquid and export products. The domestic market represents more than 90% of our company's total volume.

In fiscal 2021, the domestic refined sugar market has continued to show modest growth consistent with the recent history.

The industrial granulated segment is the largest segment accounting for approximately 55% of all shipments. The industrial segment is comprised of a broad range of food processing companies that serve both the Canadian and American markets.

In the consumer market segment, a wide variety of products are offered under the Lantic and Rogers brand name. This segment has remained stable during the past several years except during the current pandemic. In fiscal 2020, demand in this segment increased mainly due to the pantry-loading experienced in the early stage of the COVID-19 pandemic. In fiscal 2021, this segment returned to its pre pandemic levels.

The liquid market segment is comprised of core users whose process or products require liquid sucrose and another customer group that can substitute liquid sucrose with high fructose corn syrup ("HFCS"). The purchasing patterns of substitutable users are largely influenced by the absolute price spread between HFCS and liquid sugar. Increasingly, other considerations, such as ingredient labeling could also bear some influence on the purchasing decision. The liquid segment grew by approximately 9.8% during the current fiscal year as a result of an increase in overall demand and the continuous conversion from HFCS to sucrose that was beneficial for the Canadian refiners.

Lantic's Taber plant is the only beet sugar factory in Canada and is therefore the only producer of Canadian origin sugar. From this facility, we service a mix of customers across Western Canada. We also sell into other North American markets through various trade deals. As such, this plant is the sole participant in an annual Canadian-specific quota to the U.S. of 19,900 metric tonnes of Canadian origin sugar under the Canada-United-States-Mexico Agreement ("CUSMA").

By-products relating to beet processing and cane refining activities are sold in the form of beet pulp, beet pellets and cane molasses. Beet pellets are sold domestically and to export customers for livestock feed. The production of beet molasses and cane molasses is dependent on the volume of sugar processed through the Taber, Montréal and Vancouver plants.

### Our Supply

The global supply of raw cane sugar is ample. Over the last several years, Lantic has purchased most of its raw cane sugar from Central and South America for its Montréal and Vancouver cane refineries.

In fiscal 2021, we have concluded a two-year extension to the existing agreement with the Alberta Sugar Beet Growers (the "Growers") for the supply of sugar beets to the Taber beet plant, for which the crop harvested in the Fall of 2021 is the first year of the agreed contract. Any potential shortfall in beet sugar production related to crop issues is mostly replaced by refined cane sugar from the Vancouver refinery, which acts as a swing capacity refinery and from the Montréal refinery if required.

### Pricing

In fiscal 2021, the price of raw sugar number 11 (Raw #11), traded on the Intercontinental Exchange ("ICE"), fluctuated between U.S. 13.55 cents per pound and U.S. 20.37 cents per pound and closed at U.S. 19.69 cents per pound at the end of the fiscal year, which was U.S. 6.14 cents higher than the closing value at October 3, 2020. Although price variation during the year was similar than in

fiscal 2020 when Raw #11 prices fluctuated between U.S. 9.05 and U.S. 15.90 cents per pound, the average Raw #11 price in fiscal 2021 was higher than fiscal 2020 average. The higher average price of Raw #11 was mainly due to several factors including the increase in oil price, and the La Nina weather patterns that continues to disrupt crops in South America.

The price of refined sugar deliveries from the Montréal and Vancouver raw cane facilities is directly linked to the price of the Raw #11 market traded on the ICE. All sugar transactions are economically hedged, thus eliminating the impact of volatility in world raw sugar prices. This applies to all refined sugar sales made by these plants.

## MAPLE

### Facilities

TMTC operates three plants in Québec, namely, in Granby, Dégelis and in St-Honoré-de-Shenley, and one in Websterville, Vermont. On August 1, 2018, we announced our intention to relocate our Granby operation to a new built for purpose leased facility also located in Granby. The relocation was completed at the beginning of 2020. To support our producer direct procurement strategy, TMTC also uses a storage facility in Dégelis and in St-Robert-Bellarmin, Québec. Finished products are largely shipped directly from our manufacturing sites.

### Our Products

TMTC's products are mainly comprised of the following: bottled maple syrup, bulk maple syrup and maple sugar and flakes.

Bottled maple syrup is packaged in a variety of ways and sizes, including bottles, plastic jugs and the traditional cans. Bottled maple syrup is available in all commercial grades and in organic and non-organic varieties. TMTC's bottled maple syrup is sold mainly under retail private label brands and also under a variety house brands, including TMTC, Uncle Luke's™, Great Northern™, Decacer and Highland Sugarworks™.

Bulk maple syrup is mainly sold in containers of 4L or 17L, barrels and totes to foodservice retailers, food processors as well as other wholesalers.

### Our Supply

The biggest concentration of maple trees is located in Québec, New Brunswick, Ontario, Vermont, Maine and New Hampshire. The production of maple syrup takes place over a period of 6 to 8 weeks during the months of March and April of each year.

Canada remains the largest producer of maple syrup, with over 80% of the world's production. The U.S. is the only other major producing country in the world, representing approximately 20% of the global supply. Québec represented 70% of the world's production.

The maple syrup producers in Québec are represented by the Producteurs et Productrices Acéricoles du Québec ("PPAQ"). The PPAQ generally regulates the buying and selling of bulk maple syrup. The PPAQ represents approximately 11,300 producers and 7,400 individual businesses.

In Québec, nearly 90% of the total production of maple syrup is sold through the PPAQ to the authorized buyers, leaving only approximately 10% of the total production being sold directly by the producers to consumers or grocery stores.

In 2002, the PPAQ set up a strategic maple syrup reserve in order to mitigate production fluctuations imputable to weather conditions and prevent such fluctuations from causing maple syrup prices to spike or drop significantly. The reserve was initially established to set aside a production quantity equivalent to half of the then annual demand. Each year, the PPAQ may organize a sale of a portion of its accumulated reserve. This allows bottlers to respond to supply shortages in the event of a poor harvest or unplanned growth and demand. As of October 2021, the PPAQ had over 46 million pounds of bulk maple syrup, including 9 million pounds of processing/industrial grade maple syrup, in its strategic reserve, which represents about 25% of the annual global retail consumption.

In 2004, the PPAQ adopted a policy with respect to production and marketing quotas which resulted in an annual production volume allocated to each maple syrup business. The main objective of the policy is to adjust the supply of maple syrup in response to consumer demand, and more specifically, to stabilize selling prices for producers and, ultimately, the buying price for consumers, foster investments in the maple industry and maintain a steady number of maple producing businesses in operation, regardless of their size.

Outside of Québec, the maple syrup industry is generally organized through producer-based organizations or associations, which promote maple syrup in general and its industry and serve as the official voice for maple syrup producers with the public.

TMTC has relationships with more than 1,400 maple syrup producers, mainly in Québec and Vermont. Most of these producers sell 100% of their production to TMTC. Through its strong relationship with such producers, TMTC was able to develop a leading position in certified organic maple syrup.

### Pricing

Pursuant to a Marketing Agreement entered into annually between the PPAQ and the Conseil de l'industrie de l'érable (the Maple Industry Council ("MIC")), authorized buyers must pay a minimum price to the PPAQ for any maple syrup purchased from the producers. The price is fixed on an annual basis and depends on the grade of the maple syrup. In addition, a premium is added to the minimum price for any organic maple syrup. Pursuant to the Marketing Agreement, authorized buyers must buy maple syrup from the PPAQ.

### USE OF FINANCIAL DERIVATIVES FOR HEDGING

#### Sugar

In order to protect itself against fluctuations in the world raw sugar market, we follow a rigorous hedging program for all purchases of raw cane sugar and sales of refined sugar.

The Raw #11 market is only traded on the ICE, which trades in U.S. dollars. One can trade sugar futures forward for a period of three years against four specific terminals per year (March, May, July and October). The terminal values are used to determine the price settlement upon the receipt of a raw sugar vessel or the delivery of sugar to our customers. The ICE rules are strict and are governed by the New York Board of Trade. Any amount owed, due to the movement of the commodity being traded, must be settled in cash the following day (margin call payments/receipts).

For the purchasing of raw sugar, we enter into long-term supply contracts with reputable raw sugar suppliers (the "Seller"). These long-term agreements will, amongst other things, specify the yearly volume (in metric tonnes) to be purchased, the delivery period of each vessel, the terminal against which the sugar will be priced, and the freight rate to be charged for each delivery. The price of raw sugar will be determined later by the Seller, based upon the delivery period. The delivery period will correspond to the terminal against which the sugar will be priced.

Our process of selling refined sugar is also done under the Raw #11 market. When a sales contract is negotiated with a customer, the sales contract will determine the period of the contract, the expected delivery period against specific terminals and the refining margin and freight rate to be charged over and above the value of the sugar. The price of the sugar is not yet determined but needs to be fixed by the customer prior to delivery. The customer will make the decision to fix the price of the sugar when he feels the sugar market is favourable against the sugar terminal, as per the anticipated delivery period.

We purchase sugar beets from the Growers under a fixed price formula. The new extension agreement with the Growers no longer includes a scale incentive when raw sugar values exceed a certain price level.

#### **Natural Gas**

The Board of Directors of Lantic approved an energy hedging policy to mitigate the overall price risks in the purchase of natural gas.

We purchase between 3.0 million gigajoules and 3.5 million gigajoules of natural gas per year for use in our refining operations. To protect against large and unforeseen fluctuations, we can hedge forward up to 90% of our estimated usage over the next 12 months and lower percentages of our estimated usage on a longer-term basis.

These gas hedges are unwound in the months that the commodity is used in the operations, at which time any gains or losses incurred are then recognized for the determination of gross margins and earnings.

#### **Foreign Exchange**

Raw sugar costs for all sales contracts are based on the U.S. dollar. Our company also buys natural gas in U.S. dollars. In addition, sugar export sales and some Canadian sugar sales are denominated in U.S. dollars.

In order to protect ourselves against the movement of the Canadian dollar versus the U.S. dollar, we, on a daily basis, reconcile all of our exposure to the U.S. dollar and we hedge the net position against various forward months, estimated from the date of the various transactions.

Certain export sales of maple syrup are denominated in U.S. dollars, in Euro or in Australian dollars. In order to mitigate against the movement of the Canadian dollar versus the U.S. dollars, Euro or Australian dollars, we enter into foreign exchange hedging contracts with certain customers. These foreign exchange hedging contracts are unwound when the money is received from the customer, at which time any gains or losses incurred are then recognized for the determination of gross margins and earnings. Foreign exchange gains or losses on any unhedged sales contracts are recorded when realized.

#### **UPDATE ON COVID-19**

The ongoing COVID-19 pandemic has negatively impacted the global economy, disrupted financial markets and supply chain, significantly restricted business travel and interrupted business activity.

Our business is considered an essential service by the government and as such, our plants have operated without significant disruption. We have established extensive protection measures and protocols to ensure the health and safety of our employees. COVID-19 could have a material effect on our business as it relates to customer demand, supply chain, operations, financial market volatility, pension and benefits liabilities and other economic fundamentals. For the fourth quarter and the year 2021, we incurred direct costs amounting to \$0.5 million and \$3.0 million respectively in relation to COVID-19. These costs were largely due to increased health and safety measures implemented across all production facilities.

The effect of COVID-19 on our business may continue for an extended period and the ultimate impact will depend on future developments that are uncertain and cannot be predicted, including and without limitations, the duration and severity of the pandemic, the effectiveness of the actions taken to contain and treat the disease and the length of time it takes for normal economic and operating conditions to resume.

#### **BUSINESS HIGHLIGHTS**

- The fourth quarter and the 2021 fiscal year consist of 13 weeks and 52 weeks respectively, while the comparative periods for last fiscal year consisted of 14 weeks and 53 weeks respectively. The impact of the additional week of fiscal 2020 on volume for the Sugar segment and the Maple Segment is approximately 15,000 metric tonnes of sugar and 1 million lbs of maple syrup;
- Consolidated adjusted EBITDA for the fourth quarter of 2021 was \$24.8 million, down \$6.4 million from the same quarter last year, driven by lower adjusted EBITDA in the Sugar segment including approximately \$6.0 million of non-recurring variances, partially offset by higher adjusted EBITDA in the Maple segment;
- Adjusted EBITDA for the 2021 fiscal year was \$91.0 million, down 1.3% from the same period in 2020, largely as a result of lower adjusted EBITDA in the Sugar segment, partially offset by higher adjusted EBITDA in the Maple segment;
- Sales volume in the Sugar segment decreased by 4.7% to 214,753 metric tonnes in the fourth quarter of 2021, including the 2020 extra week impact of approximately 15,000 metric tonnes making volume higher than the same quarter last year. For the whole 2021 fiscal year, volume was 779,505, an increase of 2.4% compared to 2020, despite one less week in 2021;

- Adjusted EBITDA in the Maple segment was \$4.2 million in the fourth quarter, an increase of \$0.9 million or 27.8% from the same quarter last year as a result of lower operating costs, lower administration and selling expenses as well as lower distribution costs;
- Free cash flow for the trailing 12 months ended October 2, 2021 was \$45.5 million, slightly lower than the prior year balance of \$46.5 million;
- In the fourth quarter of 2021, we distributed \$0.09 per share to our shareholders for a total amount of \$9.3 million;
- On August 6, 2021, the Canadian International Trade Tribunal issued a decision to pursue its order against dumped and subsidized sugar from the United States, European Union, and the United Kingdom. Anti-dumping and countervailing duties will continue to be applied on imported sugar from these regions. The applicable future tariff for anti-dumping and countervailing duties is currently under review by the Canadian Border Service Agency. A decision is expected later in 2022;
- On August 23, 2021, we announced that John Holliday, President and CEO of RSI and Lantic, would retire. Mike Walton, previously Chief Operating Officer of Lantic and President of TMTC, has been appointed President and CEO of RSI and Lantic effective October 4, 2021, with John Holliday staying with the organization in an advisory role for the next few months;
- On October 27, 2021, after several months of negotiations, we reached an agreement for the renewal of the collective labour agreement with the main union at our Montreal facility for a period of five years;
- On November 23, 2021, we extended the maturity of our revolving credit facility to November 23, 2026 and we amended the revolving credit facility by reducing the available credit by \$65 million, from a total of \$265 million to \$200 million; and
- On November 24, 2021, the Board of Directors declared a quarterly dividend of \$0.09 per share, payable on or before February 1, 2022.

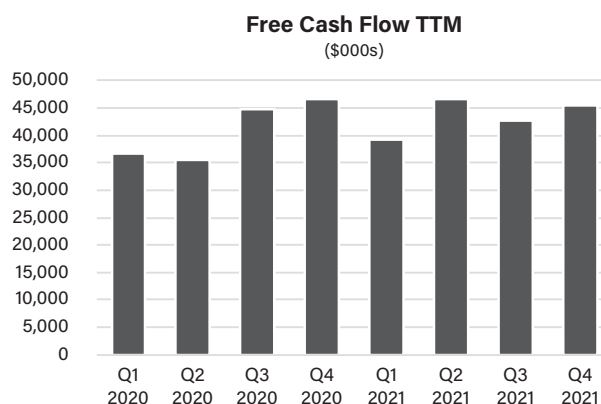
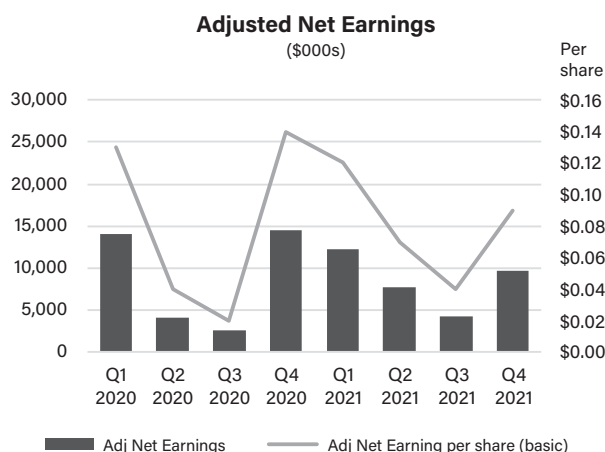
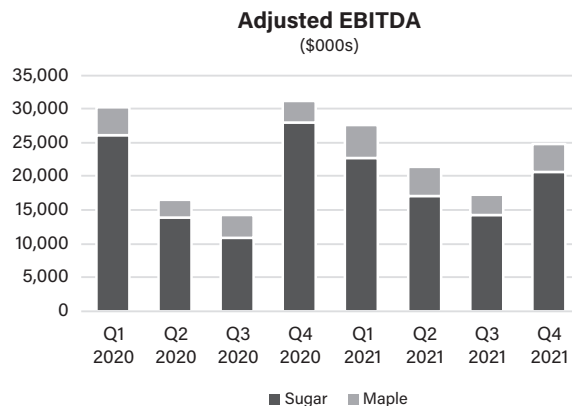
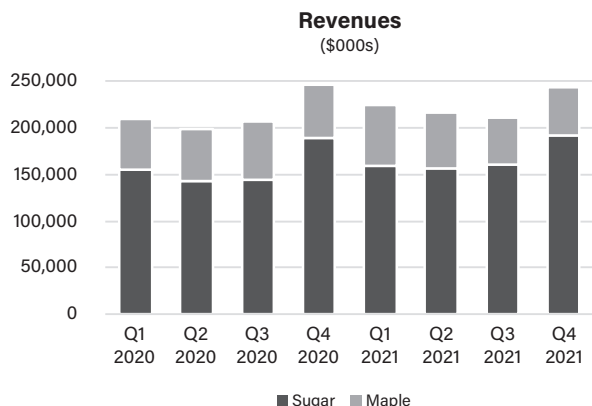
## SELECTED FINANCIAL DATA AND HIGHLIGHTS

(unaudited) (In thousands of dollars, except volumes and per share information)	Q4 2021 <sup>(2)</sup>	Q4 2020 <sup>(2)</sup>	FY 2021 <sup>(3)</sup>	FY 2020 <sup>(3)</sup>
	\$	\$	\$	\$
Sugar (metric tonnes)	214,753	225,396	779,505	761,055
Maple syrup ('000 pounds)	11,678	13,181	52,255	53,180
Total revenues	243,231	246,212	893,931	860,801
Gross Margin	39,616	37,890	139,744	126,199
Adjusted gross margin <sup>(1)</sup>	31,020	40,065	120,811	126,118
Results from operating activities	26,952	22,829	84,497	68,010
Adjusted results from operating activities <sup>(1)</sup>	18,356	25,004	65,564	67,929
Adjusted EBITDA <sup>(1)</sup>	24,786	31,231	91,022	92,259
Net earnings	16,140	12,952	47,527	35,419
per share (basic)	0.16	0.13	0.46	0.34
per share (diluted)	0.15	0.12	0.44	0.34
Adjusted net earnings <sup>(1)</sup>	9,620	14,551	33,866	35,245
Adjusted net earnings per share (basic) <sup>(1)</sup>	0.09	0.14	0.33	0.34
Trailing twelve months free cash flow <sup>(1)</sup>	45,505	46,537	45,505	46,537
Dividends per share	0.09	0.09	0.36	0.36

<sup>(1)</sup> See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.

<sup>(2)</sup> The fourth quarter of fiscal 2021 consists of 13 weeks and the fourth quarter of 2020 consists of 14 weeks.

<sup>(3)</sup> Fiscal 2021 consists of 52 weeks and fiscal 2020 consists of 53 weeks.



**Adjusted results**

In the normal course of business, we use derivative financial instruments consisting of sugar futures, foreign exchange forward contracts, natural gas futures and interest rate swaps. We have designated our natural gas futures and our interest rate swap agreements entered into in order to protect us against natural gas prices and interest rate fluctuations as cash flow hedges. Derivative financial instruments pertaining to sugar futures and foreign exchange forward contracts are marked-to-market at each reporting date and are charged to the consolidated statement of earnings. The unrealized gains/losses related to natural gas futures and interest rate swaps qualified under hedged accounting are accounted for in other comprehensive income. The amount recognized in other comprehensive income is removed and included in net earnings under the same line item in the consolidated statement of earnings and comprehensive income as the hedged item, in the same period that the hedged cash flows affect net earnings, reducing earnings volatility related to the movements of the valuation of these derivative hedging instruments.

We believe that our financial results are more meaningful to management, investors, analysts, and any other interested parties when financial results are adjusted by the gains and losses from financial derivative instruments. These adjusted financial results provide a more complete understanding of factors and trends affecting our business. This measurement is a non-GAAP measurement. See "Non-GAAP measures" section.

We use the non-GAAP adjusted results of the operating company to measure and to evaluate the performance of the business through our adjusted gross margin, adjusted results from operating activities, adjusted EBITDA, adjusted net earnings, adjusted net earnings per share and trailing twelve months free cash flow. In addition, we believe that these measures are important to our investors and parties evaluating our performance and comparing such performance to past results. We also use adjusted gross margin, adjusted EBITDA, adjusted results from operating activities and adjusted net earnings when discussing results with the Board of Directors, analysts, investors, banks and other interested parties. See "Non-GAAP measures" section.

Our results are adjusted as follows:

Income (loss)	Q4 2021 <sup>(1)</sup>			Q4 2020 <sup>(1)</sup>		
	Sugar	Maple Products	Total	Sugar	Maple Products	Total
(In thousands of dollars)	\$	\$	\$	\$	\$	\$
Mark-to-market on:						
Sugar futures contracts	2,879	—	2,879	(1,766)	—	(1,766)
Foreign exchange forward contracts	(503)	(500)	(1,003)	992	1,069	2,061
Total mark-to-market adjustment on derivatives	2,376	(500)	1,876	(774)	1,069	295
Cumulative timing differences	7,275	(555)	6,720	(2,555)	61	(2,494)
Adjustment to cost of sales	9,651	(1,055)	8,596	(3,329)	1,130	(2,199)
Amortization of transitional balance to cost of sales and changes in fair value of expired contracts for cash flow hedges	—	—	—	24	—	24
Total adjustment to costs of sales	9,651	(1,055)	8,596	(3,305)	1,130	(2,175)

<sup>(1)</sup> The fourth quarter of fiscal 2021 consists of 13 weeks and the fourth quarter of 2020 consists of 14 weeks.

Income (loss)	FY 2021 <sup>(1)</sup>			FY 2020 <sup>(1)</sup>		
	Sugar	Maple Products	Total	Sugar	Maple Products	Total
(In thousands of dollars)	\$	\$	\$	\$	\$	\$
Mark-to-market on:						
Sugar futures contracts	3,431	—	3,431	(801)	—	(801)
Foreign exchange forward contracts	2,904	1,733	4,637	1,605	1,010	2,615
Total mark-to-market adjustment on derivatives	6,335	1,733	8,068	804	1,010	1,814
Cumulative timing differences	14,471	(3,606)	10,865	(2,023)	195	(1,828)
Adjustment to cost of sales	20,806	(1,873)	18,933	(1,219)	1,205	(14)
Amortization of transitional balance to cost of sales and changes in fair value of expired contracts for cash flow hedges	—	—	—	95	—	95
Total adjustment to costs of sales	20,806	(1,873)	18,933	(1,124)	1,205	81

<sup>(1)</sup> Fiscal 2021 consists of 52 weeks and fiscal 2020 consists of 53 weeks.

Fluctuations in the mark-to-market adjustment on derivatives are due to the price movements in Raw #11 price and foreign exchange variations.

We recognize cumulative timing differences, as a result of mark-to-market gains or losses, only when sugar is sold to a customer. The gains or losses on sugar and related foreign exchange paper transactions are largely offset by corresponding gains or losses from the physical transactions, namely sale and purchase contracts with customers and suppliers.

The above described adjustments are added to or deducted from the mark-to-market results to arrive at the total adjustment to cost of sales. For the three and twelve months periods ended on October 2, 2021, the total cost of sales adjustment is a gain of \$8.6 million and \$18.9 million, respectively, to be deducted from the consolidated results. For the fourth quarter 2020, the total cost of sales adjustments is a loss of \$2.2 million to be added to the consolidated results and for the year 2020, the total cost of sales adjustment is a gain \$0.1 million to be deducted from the consolidated results.

See the "Non-GAAP measures" section for more information on these adjustments.

## SEGMENTED INFORMATION

Segmented Results	Q4 2021 <sup>(3)</sup>			Q4 2020 <sup>(3)</sup>		
	Sugar	Maple Products	Total	Sugar	Maple Products	Total
(In thousands of dollars)						
	\$	\$	\$	\$	\$	\$
Revenues	191,462	51,769	243,231	188,666	57,546	246,212
Gross margin	35,671	3,945	39,616	32,198	5,692	37,890
Administration and selling expenses	6,591	2,084	8,675	7,803	2,589	10,392
Distribution costs	3,531	458	3,989	4,197	472	4,669
Results from operating activities	25,549	1,403	26,952	20,198	2,631	22,829
Adjustment to cost of sales <sup>(2)</sup>	(9,651)	1,055	(8,596)	3,305	(1,130)	2,175
Adjusted Gross margin <sup>(1)</sup>	26,020	5,000	31,020	35,503	4,562	40,065
Adjusted results from operating activities <sup>(1)</sup>	15,898	2,458	18,356	23,503	1,501	25,004
Adjusted EBITDA <sup>(1)</sup>	20,634	4,152	24,786	27,982	3,249	31,231
<i>Additional information:</i>						
Addition to property, plant and equipment and intangible assets, net of disposals	5,394	497	5,891	8,394	578	8,972
Increase in asset retirement obligation provision included in property, plant and equipment	100	—	100	—	—	—
Additions to right-of-use assets	5	38	43	11,597	490	12,087

<sup>(1)</sup> See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.

<sup>(2)</sup> See "Adjusted results" section.

<sup>(3)</sup> The fourth quarter of fiscal 2021 consists of 13 weeks and the fourth quarter of 2020 consists of 14 weeks.

Segmented Results	FY 2021 <sup>(3)</sup>			FY 2020 <sup>(3)</sup>		
	Sugar	Maple Products	Total	Sugar	Maple Products	Total
(In thousands of dollars)						
	\$	\$	\$	\$	\$	\$
Revenues	668,118	225,813	893,931	631,263	229,538	860,801
Gross margin	121,029	18,715	139,744	105,088	21,111	126,199
Administration and selling expenses	27,793	9,162	36,955	27,959	10,981	38,940
Distribution costs	15,970	2,322	18,292	16,266	2,983	19,249
Results from operating activities	77,266	7,231	84,497	60,863	7,147	68,010
Adjustment to cost of sales <sup>(2)</sup>	(20,806)	1,873	(18,933)	1,124	(1,205)	(81)
Adjusted Gross margin <sup>(1)</sup>	100,223	20,588	120,811	106,212	19,906	126,118
Adjusted results from operating activities <sup>(1)</sup>	56,460	9,104	65,564	61,987	5,942	67,929
Adjusted EBITDA <sup>(1)</sup>	74,640	16,382	91,022	78,877	13,382	92,259
<i>Additional information:</i>						
Addition to property, plant and equipment and intangible assets, net of disposals	23,574	1,222	24,796	20,611	6,569	27,180
Increase in asset retirement obligation provision included in property, plant and equipment	3,231	—	3,231	100	—	100
Additions to right-of-use assets	1,863	861	2,724	14,550	8,303	22,853

<sup>(1)</sup> See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.

<sup>(2)</sup> See "Adjusted results" section.

<sup>(3)</sup> Fiscal 2021 consists of 52 weeks and fiscal 2020 consists of 53 weeks.



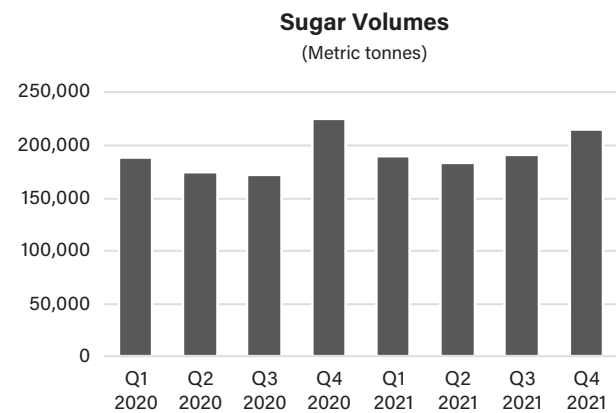
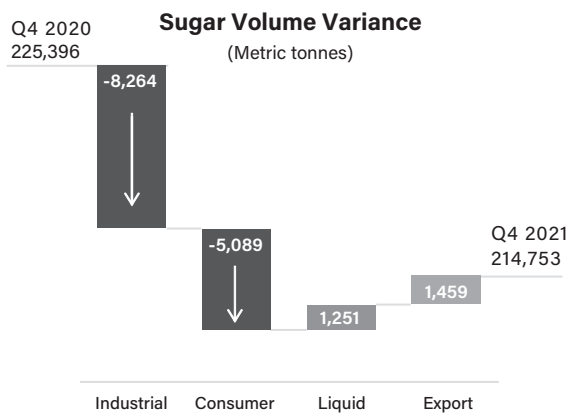
**SUGAR***Revenues*

(In thousands of dollars)	Q4 2021 <sup>(1)</sup>	Q4 2020 <sup>(1)</sup>	Δ	FY 2021 <sup>(2)</sup>	FY 2020 <sup>(2)</sup>	Δ
	\$	\$	\$	\$	\$	\$
Revenues	<b>191,462</b>	188,666	2,796	<b>668,118</b>	631,263	36,855

<sup>(1)</sup> The fourth quarter of fiscal 2021 consists of 13 weeks and the fourth quarter of 2020 consists of 14 weeks.

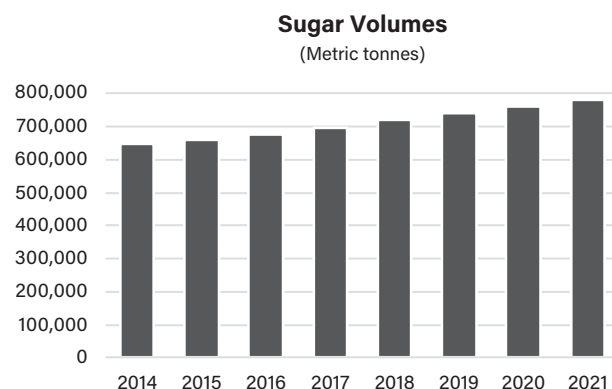
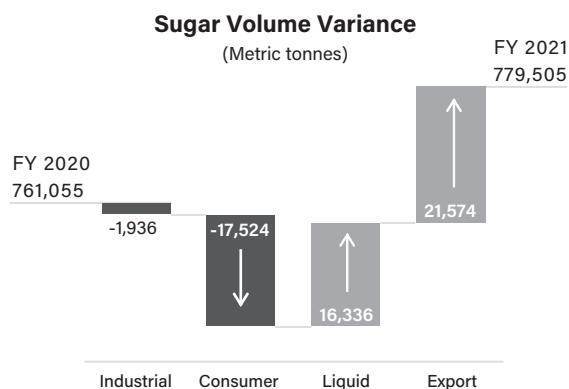
<sup>(2)</sup> Fiscal 2021 consists of 52 weeks and fiscal 2020 consists of 53 weeks.

In the fourth quarter and the 2021 fiscal year, revenues increased by 1.5% and 5.8% respectively compared to the same periods last year, despite having one less week of operation, driven by increased pricing and higher overall volume for the year.



Sugar volume decreased by 4.7% or 10,643 metric tonnes in the fourth quarter compared to the same quarter last year mainly due to one less week of operation in the current quarter; the extra week represents approximately 15,000 metric tonnes. Sales demand in the industrial and consumer channels were lower than last year's fourth quarter, which was partly offset by an increase in the liquid and export volumes during the same period.

- The reduction in industrial volume is mainly due to last year's additional week of operation as we continue to see firm industrial demand. The decrease in consumer volume is also attributable in part to the additional week of operation in fiscal 2020 and timing variances of purchases from retailers who had higher inventory of packed sugar in 2021. These reductions in volumes were partly offset by an increase in liquid volume.
- During the current quarter, export volume increased by 1,459 metric tonnes, compared to the fourth quarter 2020 despite having one less week of operation. The increase in export volume was largely due to favourable market dynamics within the United States.



During fiscal 2021, sugar volume totaled 779,505 metric tonnes, an increase of 2.4% or 18,450 metric tonnes compared to the same period last year, despite one less week of operation.

- The overall increase was driven by strong demand for liquid and export volumes, partly offset by a reduction in consumer volume of 15% or 17,524 metric tonnes. Consumer volume was lowered compared to the same period last year when consumer demand surged as a result of pantry-loading during the early stage of the pandemic in 2020.
- Export volume increased in fiscal 2021 due to higher beet sugar sales to the United States and Mexico throughout the period. The increase was largely due to favourable market dynamics, combined with improved availability of sugar from our Taber facility to fill those orders.

#### Gross margin

(In thousands of dollars, except per metric tonne information)

	Q4 2021 <sup>(3)</sup>	Q4 2020 <sup>(3)</sup>	Δ	FY 2021 <sup>(4)</sup>	FY 2020 <sup>(4)</sup>	Δ
	\$	\$	\$	\$	\$	\$
Gross margin	35,671	32,198	3,473	121,029	105,088	15,941
Total adjustment to cost of sales <sup>(2)</sup>	(9,651)	3,305	(12,956)	(20,806)	1,124	(21,930)
Adjusted gross margin <sup>(1)</sup>	26,020	35,503	(9,483)	100,223	106,212	(5,989)
Adjusted gross margin per metric tonne <sup>(1)</sup>	121.16	157.51	(36.35)	128.57	139.56	(10.99)
<i>Included in Gross margin:</i>						
Depreciation of property, plant and equipment and right-of-use assets	4,118	3,920	198	15,450	14,918	532

<sup>(1)</sup> See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.

<sup>(2)</sup> See "Adjusted results" section.

<sup>(3)</sup> The fourth quarter of fiscal 2021 consists of 13 weeks and the fourth quarter of 2020 consists of 14 weeks.

<sup>(4)</sup> Fiscal 2021 consists of 52 weeks and fiscal 2020 consists of 53 weeks.

Gross margins were \$35.7 million and \$121.0 million for the current quarter and the 2021 fiscal year, and include a gain of \$9.7 and \$20.8 million, respectively, for the mark-to-market of derivative financial instruments. For the same periods last year, gross margins were \$32.2 million and \$105.1 million, respectively, with a mark-to-market loss of \$3.3 million and \$1.1 million.

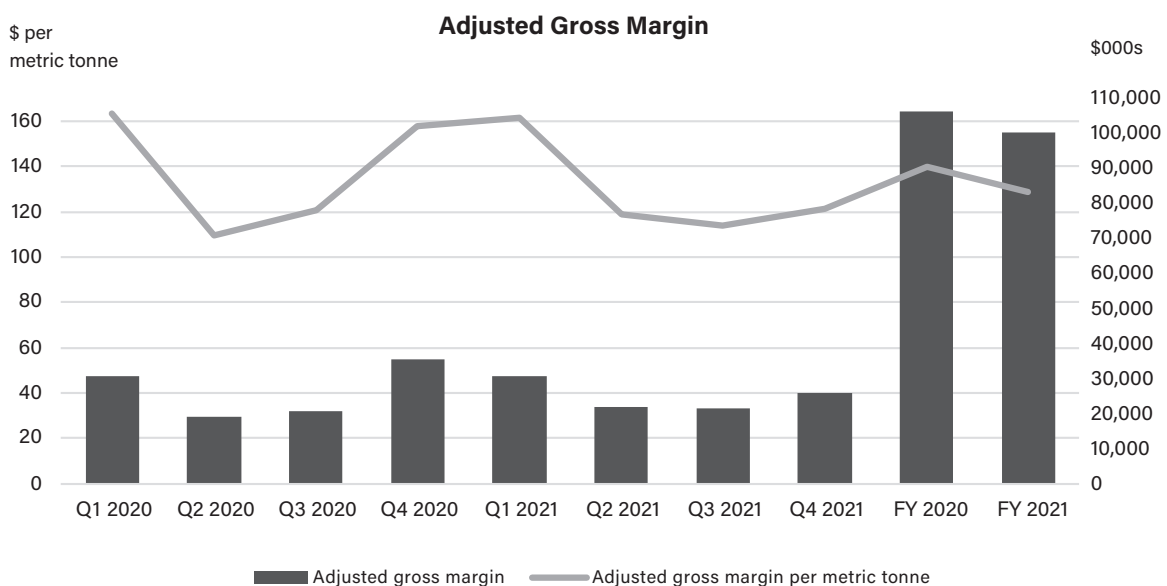
Adjusted gross margin were \$26.0 million and \$100.2 million for the fourth quarter and for the 2021 fiscal year, respectively, as compared to \$35.5 million and \$106.2 million in the same periods of 2020.

Adjusted gross margin decreased by \$9.5 million in the current quarter compared to the same quarter last year. The unfavourable variance was mainly due to a \$3.1 million one-time gain recorded in the fourth quarter of 2020 related to prior period settlement of carbon credit claims, a \$2.9 million non-recurring expenditure associated with future pension liabilities included in the Montreal recently negotiated collective agreement, a \$2.7 million reduction in sugar sales margin attributable to lower volume and unfavourable sales mix, specifically related to the absence of a US refined tariff-rate quota ("TRQ") in 2020, and higher production costs of \$0.8 million mainly related to our operations in Taber.

On a per unit basis, adjusted gross margin for the fourth quarter was \$121.16 per metric tonne, lower than the same quarter last year by \$36.35 per metric tonne. The decrease was due mainly to non-recurring items explained above. Excluding the impact of such items the variance in adjusted gross margin on a per unit basis would have been unfavourable by \$9.10 per metric tonne mainly due to lower sugar sales margin and higher production costs.

Adjusted gross margin for the 2021 fiscal year was \$6.0 million lower than the comparable period last year. The unfavourable variance was mainly due to higher production costs of \$9.8 million, mainly attributable to unfavourable weather-related conditions encountered in the second quarter in Taber, impacting sugar beet storage and causing severe sugar beet deterioration resulting in higher processing costs and unplanned discard expenditures, a \$3.1 million one-time gain recorded in the fourth quarter of 2020 related to prior period settlement of carbon credit claims and a \$2.9 million non-recurring expenditure associated with future pension liabilities included in the Montreal collective agreement. These unfavourable variances were partially offset by higher sugar sales margin of \$10.5 million, from higher volume and higher average sales price.

On a per unit basis, adjusted gross margin for the 2021 fiscal year was \$128.57 per metric tonne, compared to \$139.56 per metric tonne in the 2020 fiscal year, an unfavourable variance of \$10.99 per metric tonne. Excluding the impact of the carbon credit for prior periods and the impact of the Montreal collective agreement, the variance in adjusted gross margin on a per unit basis would have been unfavourable by \$3.20 per metric tonne.



*Other expenses*

(In thousands of dollars)	Q4 2021 <sup>(1)</sup>	Q4 2020 <sup>(1)</sup>	Δ	FY 2021 <sup>(2)</sup>	FY 2020 <sup>(2)</sup>	Δ
	\$	\$	\$	\$	\$	\$
Administration and selling expenses	<b>6,591</b>	7,803	(1,212)	<b>27,793</b>	27,959	(164)
Distribution costs	<b>3,531</b>	4,197	(666)	<b>15,970</b>	16,266	(295)
Included in Administration and selling expenses:						
Depreciation of property, plant and equipment and right-of-use assets	<b>221</b>	230	(9)	<b>897</b>	862	35
Included in Distribution costs:						
Depreciation of right-of-use assets	<b>398</b>	329	69	<b>1,833</b>	1,110	723

<sup>(1)</sup> The fourth quarter of fiscal 2021 consists of 13 weeks and the fourth quarter of 2020 consists of 14 weeks.

<sup>(2)</sup> Fiscal 2021 consists of 52 weeks and fiscal 2020 consists of 53 weeks.

In the fourth quarter, administration and selling expenses were lower by \$1.2 million compared to the same quarter last year due mainly to a decrease in COVID-19 related health and safety costs and lower compensation cost and related employee benefits. Distribution costs decreased by \$0.7 million as costs associated with reconfiguring our supply chain to serve our customers were lower compared to the same quarter last year due to improved production volume from our Taber facility.

For the 2021 fiscal year, administration and selling expenses were \$0.2 million lower than the comparable period last year, due mainly to a slight decline in COVID-19 related costs incurred during the year. Distribution cost decreased by \$0.3 million compared to the 2020 fiscal year, largely driven by lower distribution costs in the last three quarters of the year as the costs to reconfigure our supply chain to compensate for the crop shortfall during these quarters were lower compared to the same quarters last year.

*Results from operating activities and adjusted EBITDA*

(In thousands of dollars)	Q4 2021 <sup>(3)</sup>	Q4 2020 <sup>(3)</sup>	Δ	FY 2021 <sup>(4)</sup>	FY 2020 <sup>(4)</sup>	Δ
	\$	\$	\$	\$	\$	\$
Results from operating activities	<b>25,549</b>	20,198	5,351	<b>77,266</b>	60,863	16,403
Total adjustment to cost of sales <sup>(2)</sup>	<b>(9,651)</b>	3,305	(12,956)	<b>(20,806)</b>	1,124	(21,930)
Adjusted results from operating activities <sup>1)</sup>	<b>15,898</b>	23,503	(7,605)	<b>56,460</b>	61,987	(5,527)
Depreciation of property, plant and equipment and right-of-use assets, and amortization of intangible assets	<b>4,737</b>	4,479	258	<b>18,180</b>	16,890	1,290
Adjusted EBITDA <sup>(1)</sup>	<b>20,634</b>	27,982	(7,348)	<b>74,640</b>	78,877	(4,237)

<sup>(1)</sup> See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.

<sup>(2)</sup> See "Adjusted results" section.

<sup>(3)</sup> The fourth quarter of fiscal 2021 consists of 13 weeks and the fourth quarter of 2020 consists of 14 weeks.

<sup>(4)</sup> Fiscal 2021 consists of 52 weeks and fiscal 2020 consists of 53 weeks.

Results from operating activities for the fourth quarter and the 2021 fiscal year were \$25.5 million and \$77.3 million respectively, an increase from \$20.2 million and \$60.9 million compared to the same periods last year. These results include gains and losses from the mark-to-market valuation of derivative financial instruments, as well as timing differences in the recognition of any gains and losses on the liquidation of derivative instruments. In addition, higher non-cash depreciation and amortization expense from new in-service assets had a negative impact on the results from operating activities.

Adjusted results from operating activities in the fourth quarter of 2021 were \$7.6 million lower than the same period last year, mainly due to lower adjusted gross margin, partially offset by lower administration and selling expenses as well as lower distribution costs as explained above. Adjusted results from operating activities for the 2021 fiscal year were \$5.5 million lower than the same period last year, as lower adjusted gross margin was offset by lower administration and selling expenses and lower distribution costs.

Adjusted EBITDA for the fourth quarter decreased by \$7.3 million compared to the same period last year, largely as a result of lower adjusted gross margin, offset by lower administration and selling expenses as well as lower distribution costs. Adjusted EBITDA for the 2021 fiscal year decreased by \$4.2 million largely due to lower adjusted gross margin offset by lower administration and distribution costs, as mentioned above.

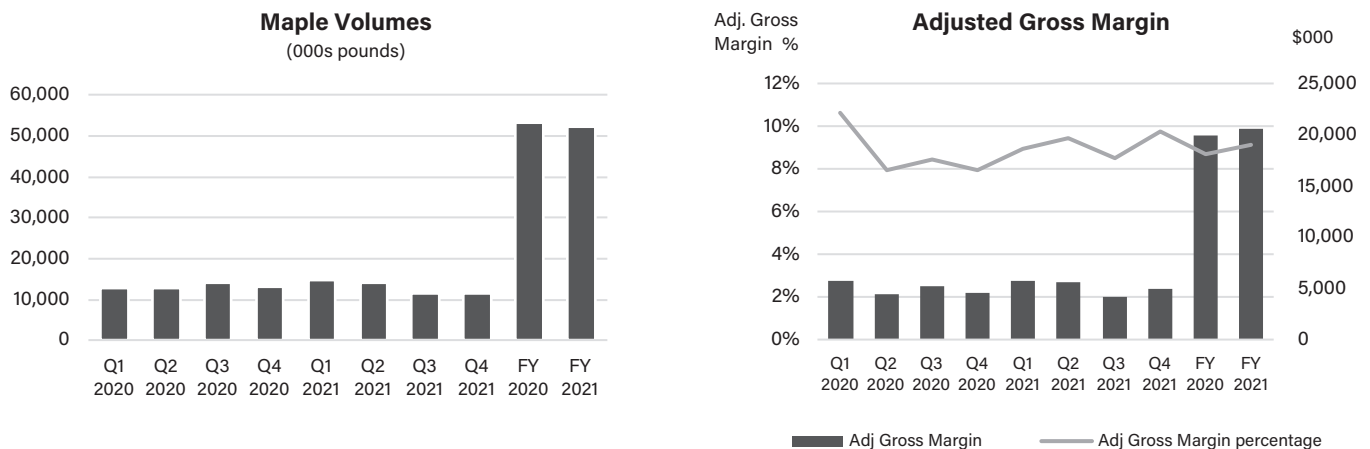
**MAPLE**

*Revenues*

(In thousands of dollars, except volumes)	Q4 2021 <sup>(1)</sup>	Q4 2020 <sup>(1)</sup>	Δ	FY 2021 <sup>(2)</sup>	FY 2020 <sup>(2)</sup>	Δ
	\$	\$	\$	\$	\$	\$
Volumes ('000 pounds)	<b>11,678</b>	13,181	(1,503)	<b>52,255</b>	53,180	(925)
Revenues	<b>51,769</b>	57,546	(5,777)	<b>225,813</b>	229,538	(3,725)

<sup>(1)</sup> The fourth quarter of fiscal 2021 consists of 13 weeks and the fourth quarter of 2020 consists of 14 weeks.

<sup>(2)</sup> Fiscal 2021 consists of 52 weeks and fiscal 2020 consists of 53 weeks.



Revenues for the current quarter were \$5.8 million lower than the prior comparable period due to a reduction in sales volume. The reduction was mainly attributable to higher volume purchased in the prior comparable period related to increased demand associated with the COVID-19 pandemic. For the 2021 fiscal year, revenues were \$3.7 million lower than last fiscal year, as the unfavourable variance of the second half of 2021 related to the tempering of the COVID-19 demand, was offset partially by the strong demand of the first half of the year.

*Gross margin*

(In thousands of dollars, except adjusted gross margin rate information)	Q4 2021 <sup>(3)</sup>	Q4 2020 <sup>(3)</sup>	Δ	FY 2021 <sup>(4)</sup>	FY 2020 <sup>(4)</sup>	Δ
	\$	\$	\$	\$	\$	\$
Gross margin	<b>3,945</b>	5,692	(1,747)	<b>18,715</b>	21,111	(2,396)
Total adjustment to cost of sales <sup>(2)</sup>	<b>1,055</b>	(1,130)	2,185	<b>1,873</b>	(1,205)	3,078
Adjusted gross margin <sup>(1)</sup>	<b>5,000</b>	4,562	438	<b>20,588</b>	19,906	682
Adjusted gross margin percentage <sup>(1)</sup>	<b>9.7%</b>	7.9%	1.8%	<b>9.1%</b>	8.7%	0.4%
<i>Included in Gross margin:</i>						
Depreciation of property, plant and equipment and right-of-use assets	<b>821</b>	809	12	<b>3,543</b>	3,083	460

<sup>(1)</sup> See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.

<sup>(2)</sup> See "Adjusted results" section.

<sup>(3)</sup> The fourth quarter of fiscal 2021 consists of 13 weeks and the fourth quarter of 2020 consists of 14 weeks.

<sup>(4)</sup> Fiscal 2021 consists of 52 weeks and fiscal 2020 consists of 53 weeks.

Gross margin was \$3.9 million and \$18.7 million for the three and twelve months ended in the current fiscal year and included a loss of \$1.1 million and \$1.9 million, respectively, for the mark-to-market of derivative financial instruments. For the same periods last year, gross margin was \$5.7 million and \$21.1 million, respectively, with a mark-to-market gain of \$1.1 million and \$1.2 million.

Adjusted gross margin for the current quarter was \$0.4 million higher than the comparable period last year, driven by a combination of higher sales margin from increased pricing and lower costs from improved operational efficiency. Improved profitability was also reflected in our adjusted gross margin percentage, increasing by 180 basis points to 9.7% in the current quarter, up from 7.9% in the same quarter last year.

Adjusted gross margin for fiscal 2021 was \$0.7 million higher than the prior fiscal year, mainly driven by higher sales margin from increased pricing and improved operational efficiency which is reflected in improved adjusted gross margin percentage of 9.1% compared to 8.7% in fiscal 2020.

*Other expenses*

(In thousands of dollars)	Q4 2021 <sup>(1)</sup>	Q4 2020 <sup>(1)</sup>	Δ	FY 2021 <sup>(2)</sup>	FY 2020 <sup>(2)</sup>	Δ
	\$	\$	\$	\$	\$	\$
Administration and selling expenses	<b>2,084</b>	2,589	(505)	<b>9,162</b>	10,981	(1,819)
Distribution costs	<b>458</b>	472	(14)	<b>2,322</b>	2,983	(661)
<i>Included in Administration and selling expenses:</i>						
Amortization of intangible assets	<b>873</b>	876	(3)	<b>3,488</b>	3,505	(17)

<sup>(1)</sup> The fourth quarter of fiscal 2021 consists of 13 weeks and the fourth quarter of 2020 consists of 14 weeks.

<sup>(2)</sup> Fiscal 2021 consists of 52 weeks and fiscal 2020 consists of 53 weeks.

Administration and selling expenses for the fourth quarter and for the 2021 fiscal year were \$0.5 million and \$1.8 million lower than the comparable periods last year. These favourable variances were mainly due to lower sales and marketing expenses and lower employee compensation and benefits costs.

Distribution costs were stable in the current quarter and decreased by \$0.7 million for the 2021 fiscal year when compared to the same periods last year. The reduction for fiscal 2021 was largely driven by a reduction in warehousing costs.

*Results from operating activities and adjusted EBITDA*

(In thousands of dollars)	Q4 2021 <sup>(3)</sup>	Q4 2020 <sup>(3)</sup>	Δ	FY 2021 <sup>(4)</sup>	FY 2020 <sup>(4)</sup>	Δ
	\$	\$	\$	\$	\$	\$
Results from operating activities	<b>1,403</b>	2,631	(1,228)	<b>7,231</b>	7,147	84
Total adjustment to cost of sales <sup>(2)</sup>	<b>1,055</b>	(1,130)	2,185	<b>1,873</b>	(1,205)	3,078
Adjusted results from operating activities <sup>(1)</sup>	<b>2,458</b>	1,501	957	<b>9,104</b>	5,942	3,162
<i>Non-recurring expenses:</i>						
Other one-time non-recurring items	—	63	(63)	<b>247</b>	852	(605)
Depreciation and amortization	<b>1,694</b>	1,685	9	<b>7,031</b>	6,588	443
Adjusted EBITDA <sup>(1)</sup>	<b>4,152</b>	3,249	903	<b>16,382</b>	13,382	3,000

<sup>(1)</sup> See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.

<sup>(2)</sup> See "Adjusted results" section.

<sup>(3)</sup> The fourth quarter of fiscal 2021 consists of 13 weeks and the fourth quarter of 2020 consists of 14 weeks.

<sup>(4)</sup> Fiscal 2021 consists of 52 weeks and fiscal 2020 consists of 53 weeks.

Results from operating activities for the fourth quarter and the 2021 fiscal year were \$1.4 million and \$7.2 million respectively, compared to \$2.6 million and \$71 million in the same periods last year. These results include gains and losses from the mark-to-market of derivative financial instruments, as well as timing differences in the recognition of any gains and losses on the liquidation of derivative instruments.

Certain non-cash items and non-recurring expenses had an impact on the results from operating activities. As such, we believe that the Maple segment's financial results are more meaningful to management, investors, analysts, and any other interested parties when financial results are adjusted for the above-mentioned items. Other non recurrent items in the fourth quarter and the 2020 fiscal year were mainly costs associated with having two locations in Granby.

Adjusted results from operating activities for the current quarter and the 2021 fiscal year were \$1.0 million and \$3.2 million higher respectively compared to the same periods last year, mainly due to higher adjusted gross margin and lower administration and selling expenses as well as lower distribution costs as explained above.

Adjusted EBITDA for the current quarter and the 2021 fiscal year were \$0.9 million and \$3.0 million higher respectively compared to the same periods last year, mainly driven by higher adjusted results from operating activities, as mentioned above.

## OUTLOOK

The health and safety of our employees remains our top priority. We are closely following all COVID-19 public health authority recommendations and have enhanced safety protocols in place. Since the beginning of the COVID-19 pandemic, our plants have operated without significant disruption. The uncertainty and increased demand volatility continue to make it difficult to estimate the impact on future sale volumes, operations, and financial results. We are closely monitoring the situation and will continue to adapt quickly to the changing circumstances.

In fiscal 2021, our financial results for our Sugar Segment were negatively impacted by issues, we anticipate will not occur in 2022. Overall, we believe our adjusted EBITDA of 2021 was negatively impacted by over \$10.0 million in relation with such issues. This includes weather-related unfavourable impacts with our sugar beets in Alberta, the costs associated with the recognition of prior period past service charge related to the new Montreal refinery collective bargaining agreement, and the lingering effects of COVID-19 related expenditures for preventive measures and logistics.

Recognizing these unusual conditions in fiscal 2021, we expect, for 2022, improved financial performance across both of our business segments, supported by strong demand for sugar and maple syrup and improved margins in both sectors.

### Sugar

We expect the sugar segment to perform well in fiscal 2022. The underlying demand remains strong across all our customer segments in our domestic market while we are anticipating a reduction in the export market. We also anticipate a return to normal for our beet sugar operations in Taber for 2022. Thus far, the 2021 harvest season has delivered the expected volume of sugar beets. The processing of the sugar beets is currently going according to schedule and is expected to be completed by the end of February.

We expect sales volume for 2022 to reach approximately 770,000 metric tonnes, representing a reduction of 9,500 metric tonnes compared to 2021. While we anticipate the domestic volume to grow steadily at 2%, exports opportunities will not be as high as in 2021, resulting in a reduction in volume. Overall, we see the following volumes variances for our customer segments:

- Industrial, which is our largest segment, is expected to grow at a modest 1% as demand for sugar containing products remains steady both in Canada and the US.
- Liquid volume is expected to deliver growth of approximately 2% to 3% driven by continued demand from existing customers as well as new customer acquisitions.
- We also expect our consumer business to be up 2% to 3%, which is more in line with normalized growth that we experienced pre-covid.
- We anticipate to sell less into export markets in 2022 since we do not foresee the US issuing a TRQ and the market dynamics for high-tier sales are not as favourable.

Despite the reduction of total volume, favourable price mix will contribute to improved profitability as compared to 2021.

Maintenance programs for the Montreal and Vancouver operating facilities are expected to follow the trend of previous years and should provide for marginal increase in operating costs. For the Taber facility, a return to normal and an improvement in the quality of the sugar beet over 2021 is expected to yield improvement in operating costs.

Spending on capital projects is also expected to be similar to recent periods. For fiscal 2022, we anticipate spending approximately \$25.0 million on various capital projects, with approximately a quarter allocated to return-on-investment projects.



### Maple products

For fiscal 2022, we expect the Maple business segment to outperform the 2021 results. Our outlook is mainly based on expected improvement to sales margins, a trend established in 2021 and driven by successful contract negotiations with new and existing customers.

Competitive pressures in the Maple industry, along with market volatility from the COVID-19 pandemic has impacted the pace of margin improvement in 2021. For 2022, we anticipate an increase in margin from new agreements negotiated with new and existing customers and volume to remain stable at approximately 52 million lbs.

In addition, we expect to continue to drive lower operating costs through ongoing optimization at our manufacturing facilities and efficiency improvements provided by the investments made in our facilities at Granby and Degelis.

Capital investments have been reduced significantly for the Maple segment since 2021, considering the expenditures incurred over the past few years improved and increased the production capacity. We continue to expect steady growth in demand for Maple-related products although we expect a tempering from the increase seen during the period of COVID-19.

See "Forward Looking Statements" section and "Risks and Uncertainties" section.

### CONSOLIDATED RESULTS OF OPERATION

(unaudited) (In thousands of dollars, except volumes and per share information)	Q4 2021 <sup>(2)</sup>	Q4 2020 <sup>(2)</sup>	FY 2021 <sup>(3)</sup>	FY 2020 <sup>(3)</sup>
	\$	\$	\$	\$
Sugar (metric tonnes)	214,753	225,396	779,505	761,055
Maple syrup ('000 pounds)	11,678	13,181	52,255	53,180
Total revenues	243,231	246,212	893,931	860,801
Gross Margin	39,616	37,890	139,744	126,199
Adjusted gross margin <sup>(1)</sup>	31,020	40,065	120,811	126,118
Results from operating activities	26,952	22,829	84,497	68,010
Adjusted results from operating activities <sup>(1)</sup>	18,356	25,004	65,564	67,929
Adjusted EBITDA <sup>(1)</sup>	24,786	31,231	91,022	92,259
Net finance costs	5,015	4,991	19,439	18,523
Income tax expense	5,796	4,886	17,531	14,068
Net earnings	16,140	12,952	47,527	35,419
per share (basic)	0.16	0.13	0.46	0.34
per share (diluted)	0.15	0.12	0.44	0.34
Adjusted net earnings <sup>(1)</sup>	9,620	14,551	33,866	35,245
Adjusted net earnings per share (basic) <sup>(1)</sup>	0.09	0.14	0.33	0.34
Dividends per share	0.09	0.09	0.36	0.36

<sup>(1)</sup> See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures

<sup>(2)</sup> The fourth quarter of fiscal 2021 consists of 13 weeks and the fourth quarter of 2020 consists of 14 weeks

<sup>(3)</sup> Fiscal 2021 consists of 52 weeks and fiscal 2020 consists of 53 weeks.

*Total revenues*

Revenues decreased by \$3.0 million for the fourth quarter and increased by \$33.1 million for the 2021 fiscal year versus comparable periods last year. The decreased in revenue for the quarter was mainly attributable to the decreased of sales volume in the Maple segment, partially offset by higher pricing in Sugar segment. For the 2021 fiscal year, revenue increased due mainly to increased sales volume and higher prices from the Sugar segment, partially offset by lower volume in Maple segment.

*Gross margin*

Excluding the mark-to-market of derivative financial instruments, adjusted gross margin for the fourth quarter of the current year decreased by \$9.0 million and \$5.3 million respectively, mainly as a result of lower adjusted gross margin from the Sugar segment offset by higher adjusted gross margin by the Maple segment. For the Sugar segment, the adjusted gross margin per metric tonne for the current quarter and the 2021 fiscal year was lower by \$36.35 per metric tonne and \$10.99 per metric tonne respectively. For the Maple segment, the adjusted gross margin percentage improved by 180 basis points for the quarter and 40 basis points for the year when compared to the same periods last year.

*Results from operating activities*

Excluding the mark-to-market of derivative financial instruments, adjusted results from operating activities for the current quarter amounted to \$18.4 million compared to \$25.0 million in the same quarter last year, a decrease of \$6.6 million. For fiscal 2021, adjusted results from operating activities were \$65.6 million compared to \$67.9 million, representing a decrease of \$2.3 million. The reduction in the current quarter and the year was mainly driven by lower contribution from the Sugar segment offset by the higher results from the Maple segment.

*Net finance costs*

(In thousands of dollars)	Q4 2021 <sup>(1)</sup>	Q4 2020 <sup>(1)</sup>	Δ	FY 2021 <sup>(2)</sup>	FY 2020 <sup>(2)</sup>	Δ
	\$	\$	\$	\$	\$	\$
Interest expense on convertible unsecured subordinated debentures	<b>2,182</b>	2,161	21	<b>8,423</b>	8,446	(23)
Interest on revolving credit facility	<b>1,173</b>	1,797	(624)	<b>5,843</b>	6,723	(880)
Interest on senior guaranteed note	<b>915</b>	—	915	<b>1,527</b>	—	1,527
Amortization of deferred financing fees	<b>278</b>	297	(19)	<b>1,187</b>	1,187	(0)
Other interest expense	<b>627</b>	736	(109)	<b>2,008</b>	2,167	(159)
Net change in fair value in interest rate swaps	<b>(160)</b>	—	(160)	<b>451</b>	—	451
<b>Net finance costs</b>	<b>5,015</b>	4,991	24	<b>19,439</b>	18,523	916

<sup>(1)</sup> The fourth quarter of fiscal 2021 consists of 13 weeks and the fourth quarter of 2020 consists of 14 weeks.

<sup>(2)</sup> Fiscal 2021 consists of 52 weeks and fiscal 2020 consists of 53 weeks.

For the fourth quarter of 2021, net finance costs were aligned with the same period last year. The balance of \$5.0 million reflects the impact of lower balance and lower average interest cost on the revolving credit facility and additional interest cost on the newly issued senior guaranteed note. For the current year, net finance costs were \$0.9 million higher than last year, due mainly to interest cost on the newly issued senior guaranteed note and the impact of changes in fair value related to derecognized contracts pertaining to interest rate swaps that no longer meet the criteria for hedge accounting. This unfavourable variance was offset by lower average interest cost on the revolving credit facility from lower balance and lower average interest rate.

Other interest expense pertained mainly to interest payable to the Producteurs et Productrices Acéricoles du Québec ("PPAQ") on syrup purchases, in accordance with the PPAQ payment terms and interest accretion on lease obligations.

*Taxation*

(In thousands of dollars)	Q4 2021 <sup>(1)</sup>	Q4 2020 <sup>(1)</sup>	Δ	FY 2021 <sup>(2)</sup>	FY 2020 <sup>(2)</sup>	Δ
	\$	\$	\$	\$	\$	\$
Current	<b>6,619</b>	2,445	4,174	<b>17,333</b>	11,290	6,043
Deferred	<b>(823)</b>	2,441	(3,264)	<b>198</b>	2,778	(2,580)
Income tax expense	<b>5,796</b>	4,886	910	<b>17,531</b>	14,068	3,463

<sup>(1)</sup> The fourth quarter of fiscal 2021 consists of 13 weeks and the fourth quarter of 2020 consists of 14 weeks.

<sup>(2)</sup> Fiscal 2021 consists of 52 weeks and fiscal 2020 consists of 53 weeks.

The variation in current and deferred tax expense period-over-period is consistent with the variation in earnings before income taxes in fiscal 2021.

Deferred income taxes reflect temporary differences, which result primarily from the difference between depreciation claimed for tax purposes and depreciation amounts recognized for financial reporting purposes, employee future benefits and derivative financial instruments. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates anticipated to apply to income in the years in which temporary differences are expected to be realized or reversed. The effect of a change in income tax rates on future income taxes is recognized in income in the period in which the change occurs.

*Net earnings*

Net earnings in the fourth quarter and for the 2021 fiscal year were \$3.2 million and \$12.1 million higher than the comparative periods for 2020, respectively. These increases were mainly attributable to higher results from operating activities offset by higher income tax expenses. For the year, this variance was also offset by higher finance costs.

Adjusted net earnings in the fourth quarter and for the 2021 fiscal year were \$4.9 million and \$1.4 million lower than the comparative periods for 2020, respectively. These decreases were mainly attributable to lower adjusted results from operating activities combined with higher income tax expenses. For the year, this variance was also explained by higher finance costs.

### Summary of Quarterly Results

The following is a summary of selected financial information of the consolidated financial statements and non-GAAP measures of RSI for the last eight quarters:

QUARTERS <sup>(2)</sup> (In thousands of dollars, except for volume and per share information)	2021				2020			
	Fourth	Third	Second	First	Fourth	Third	Second	First
	\$	\$	\$	\$	\$	\$	\$	\$
Sugar Volumes (MT)	214,753	190,563	183,749	190,440	225,396	172,054	175,226	188,379
Maple products volume ( '000 pounds)	11,678	11,471	14,214	14,892	13,181	14,313	12,893	12,792
Total revenues	243,231	210,931	215,929	223,840	246,212	206,147	199,126	209,316
Gross margin	39,616	30,064	31,451	38,613	37,890	29,873	19,390	39,046
Adjusted gross margin <sup>(1)</sup>	31,020	25,932	27,407	36,452	40,065	25,915	23,612	36,526
Results from operations	26,952	15,062	19,151	23,332	22,829	12,372	6,058	26,751
Adjusted results from operations <sup>(1)</sup>	18,356	10,930	15,107	21,171	25,004	8,414	10,280	24,231
Adjusted EBITDA <sup>(1)</sup>	24,786	17,214	21,375	27,647	31,231	14,279	16,522	30,227
Net earnings (loss)	16,140	6,836	10,778	13,773	12,952	5,538	965	15,964
Per share - basic	0.16	0.07	0.10	0.13	0.13	0.05	0.01	0.15
Per share - diluted	0.15	0.07	0.10	0.13	0.12	0.05	0.01	0.14
Adjusted net earnings <sup>(1)</sup>	9,620	4,247	7,751	12,248	14,551	2,560	4,036	14,098
Per share - basic	0.09	0.04	0.07	0.12	0.14	0.02	0.04	0.13
Per share - diluted	0.09	0.04	0.07	0.11	0.14	0.02	0.04	0.13
Sugar - Adjusted gross margin rate per MT <sup>(1)</sup>	121.16	113.95	118.60	161.18	157.51	120.45	109.63	163.37
Maple - Adjusted gross margin percentage <sup>(1)</sup>	9.7%	9.4%	8.9%	7.9%	8.4%	7.9%	10.6%	9.7%

<sup>(1)</sup> See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.

<sup>(2)</sup> All quarters are 13 weeks with the exception of the fourth quarter of 2020 which is 14 weeks.

Historically the first quarter (October to December) of the fiscal year is the best quarter of the sugar segment for adjusted gross margins and adjusted net earnings due to the favourable sales mix associated with an increased proportion of consumer sales during that period of the year. At the same time, the second quarter (January to March) historically has the lowest volumes as well as an unfavourable customer mix, resulting in lower revenues, adjusted gross margins and adjusted net earnings.

Usually, there is minimal seasonality in the Maple products segment. However, for the last two quarters of 2020 and the year 2021, we experienced volatility in sales volume partially attributable to COVID-19.

**Financial condition**

(In thousands of dollars)	<b>October 2, 2021</b>	October 3, 2020 <sup>(1)</sup>	September 28, 2019 <sup>(1)</sup>
	\$	\$	\$
Total assets	<b>879,930</b>	856,059	815,344
Total non-current liabilities	<b>431,046</b>	417,043	385,220

<sup>(1)</sup> We have offset the comparative period's deferred tax asset against deferred tax liability as we have the legal right to settle the current tax amount on a net basis and the amounts are levied by the same taxing authorities on the same entity.

The increase in total assets in the current year compared to the prior year is mainly due to higher cash of \$13.7 million and higher property, plant and equipment of \$11.3 million.

Non-current liabilities for the current year increased compared to the 2020 fiscal year due mainly to an increase in deferred tax liabilities of \$13.6 million and the newly issued senior guaranteed notes of \$98.8 million, partly offset by a reduction of the non-current revolving credit facility of \$65.0 million and the reduction of employee benefits liabilities of \$29.9 million.

**Liquidity**

Cash flow generated by Lantic is paid to Rogers by way of dividends and return of capital on the common shares and by the payment of interest on the subordinated notes of Lantic held by Rogers, after taking a reasonable reserve for capital expenditures, debt reimbursement and working capital. The cash received by Rogers is used to pay administrative expenses, interest on the convertible debentures, income taxes and dividends to its shareholders. Lantic had no restrictions on distributions of cash arising from the compliance of financial covenants for the year.

(In thousands of dollars)	<b>FY 2021<sup>(1)</sup></b>	FY 2020 <sup>(1)</sup>
	\$	\$
Net cash flow from operating activities	<b>78,577</b>	64,601
Cash flow used in financing activities	<b>(40,158)</b>	(36,786)
Cash flow used in investing activities	<b>(24,678)</b>	(26,153)
Effect of changes in exchange rate on cash	<b>(72)</b>	28
Net increase (decrease) in cash	<b>13,669</b>	1,690

<sup>(1)</sup> Fiscal 2021 consists of 52 weeks and fiscal 2020 consists of 53 weeks.

Cash flow from operating activities for the current year increased by \$14.0 million compared to last year, which was due mainly to an increase in net earnings adjusted for non-cash items of \$26.1 million and a decrease in interest paid of \$1.3 million, partially offset by a negative non-cash working capital variation of \$12.6 million.

Cash flow used in financing activities was higher by \$3.4 million for the current year compared to last year due mainly to a decrease of \$108.3 million in borrowings from the revolving credit facility and the bank overdraft, partially offset by the proceed received from the issuance of the private placement note of \$98.7 million.

The cash outflow used in investing activities decreased by \$ 1.5 million in the current year compared to last year due mainly to the timing of capital expenditures.

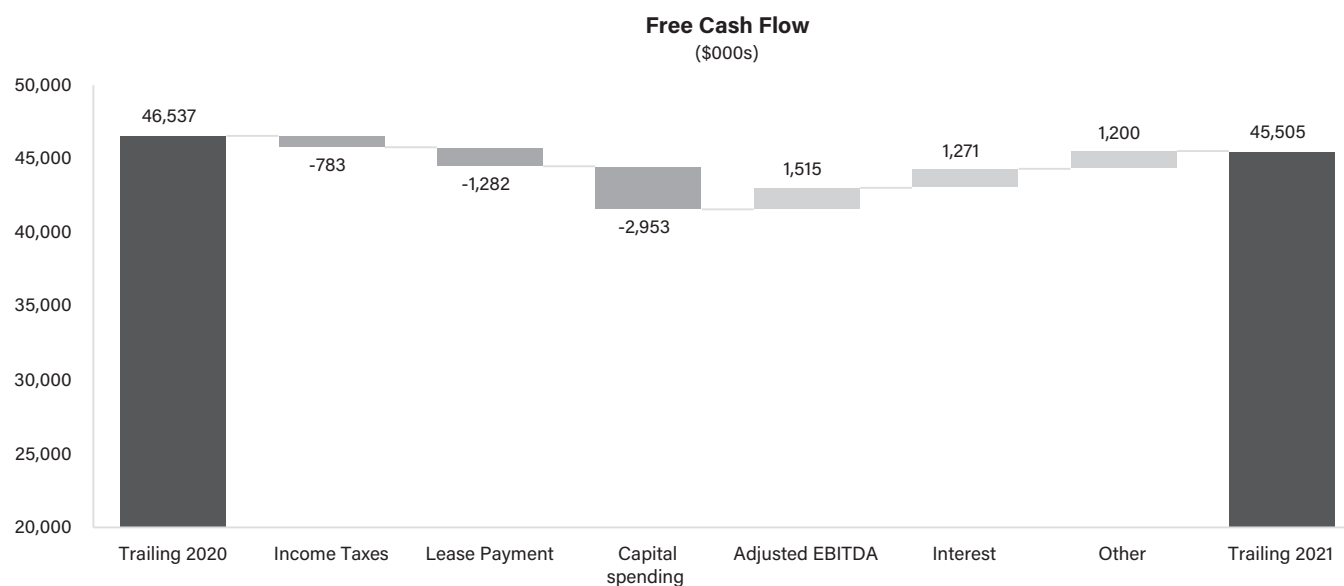
In order to provide additional information, we believe it is appropriate to measure free cash flow that is generated by our operations. Free cash flow is a non-GAAP measure and is defined as cash flow from operations excluding changes in non-cash working capital, mark-to-market and derivative timing adjustments and financial instruments' non-cash amounts, and including capital expenditures, net of value added capital expenditures, and the payment of lease obligation.

### Free cash flow

(In thousands of dollars)	Trailing twelve months	
	2021 <sup>(2)</sup>	2020 <sup>(2)</sup>
	\$	\$
Cash flow from operations	<b>78,577</b>	64,601
Adjustments:		
Changes in non-cash working capital	<b>11,480</b>	(1,098)
Mark-to-market and derivative timing adjustments	<b>(18,482)</b>	12
Amortization of transitional balances	—	(292)
Financial instruments non-cash amount	<b>(2,752)</b>	2,397
Capital expenditures and intangible assets	<b>(24,678)</b>	(26,153)
Value added capital expenditures	<b>6,847</b>	11,275
Payment of lease obligation	<b>(5,487)</b>	(4,205)
Free cash flow <sup>(1)</sup>	<b>45,505</b>	46,537
Declared dividends	<b>37,300</b>	37,380
Shares repurchased	—	(6,536)

<sup>(1)</sup> See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.

<sup>(2)</sup> Fiscal 2021 consists of 52 weeks and fiscal 2020 consists of 53 weeks.



Free cash flow for the trailing twelve months ending on October 2, 2021, amounted to \$45.5 million compared to \$46.5 million for the same period last year, representing a decrease of \$1.0 million mainly attributable to higher lease payments and net capital expenditures of \$4.2 million and higher income taxes paid of \$0.8 million, partially offset by higher EBITDA, excluding non cash item related to future pension liabilities included in the Montreal collective agreement, of \$1.5 million and lower interest paid of \$1.3 million.

Capital and intangible assets expenditures, net of value added capital expenditures, increased by \$3.0 million compared to last year's rolling twelve months due mainly to the impact of the value added expenditures related to the Maple new Granby facility in 2020. Free cash flow is not reduced by value added capital expenditures, as these projects are not necessary for the operation of the plants but are undertaken because of the operational savings that are realized once the projects are completed. Payments made for leases are deducted from free cash flow as such cash flow is no longer reflected as a reduction in cash flow from operation and is therefore not available.

The Board of Directors declared a quarterly dividend of 9.0 cents per common share every quarter, totalling 36.0 cents for both trailing twelve months periods.

Changes in non-cash operating working capital represent year-over-year movements in current assets, such as accounts receivable and inventories, and current liabilities, such as accounts payable. Movements in these accounts are due mainly to timing in the collection of receivables, receipts of raw sugar and payment of liabilities. Increases or decreases in such accounts are due to timing issues and therefore do not constitute free cash flow. Such increases or decreases are financed from available cash or from our available credit facility. Increases or decreases in bank indebtedness are also due to timing issues from the above and therefore do not constitute available free cash flow.

The combined impact of the mark-to-market and derivative timing adjustments, amortization of transitional balances and financial instruments non-cash positive amount of \$21.2 million for the current rolling twelve months does not represent cash items as these contracts will be settled when the physical transactions occur, which is the reason for the adjustment to free cash flow.

### Contractual obligations

The following table identifies the outstanding contractual obligations of our company as at year-end, and the effects such obligations are expected to have on liquidity and cash flow over the next several years:

(In thousands of dollars)	Total	Under 1 year	1 to 3 years	4 to 5 years	After 5 years
	\$	\$	\$	\$	\$
Revolving credit facility	100,000	—	100,000	—	—
Senior Guaranteed Notes	100,000	—	—	—	100,000
Interest on convertible debentures	26,712	7,506	15,012	4,194	—
Interest based on swaps	8,928	2,660	5,311	957	—
Interest on Senior Guaranteed Notes	33,445	3,490	6,980	3,490	19,485
Lease obligations	23,546	3,810	5,341	1,963	12,432
Purchase obligations	99,538	99,538	—	—	—
	<b>392,169</b>	<b>117,004</b>	<b>132,644</b>	<b>10,604</b>	<b>131,917</b>
Sugar purchase obligations ('000 MT)	1,082	537	545	—	—
Maple purchase obligations ('000 pounds)	10,700	10,700	—	—	—

The Sixth and Seventh series debentures, which mature in December 2024 and June 2025, respectively, have been excluded from the above table due to the holders' conversion option and the company's option to satisfy the obligations at redemption or maturity in shares. Interest has been included in the above table to the date of maturity.

In fiscal 2013, Lantic entered into a five-year agreement for the establishment of a revolving credit facility to support its financial and operational needs. The revolving credit facility is syndicated with four Canadian chartered banks and includes an accordion feature allowing for the borrowing of up to \$400 million. This agreement has been amended and extended from time to time. The revolving credit facility is subject to covenants and is secured by the assets of Lantic and TMTC. As of October 2, 2021, the approved amount available for borrowing was \$265 million, of which \$100 million was drawn.

On November 23, 2021, we exercised our option to extend the maturity date of our revolving credit facility to November 23, 2026 and amended our existing revolving credit facility thereby reducing its approved credit by \$65.0 million, from a total of \$265 million to \$200 million. No other amendment was made to the credit agreement.

On April 30, 2021, Lantic issued a private placement of \$100 million in the form of senior guaranteed Notes under a note purchase agreement entered into with certain institutional investors. The Notes are guaranteed and rank pari passu with our existing revolving credit facility. The Notes are due on April 30, 2031. The interest of the Notes was set at 3.49% and the interest is payable semi-annually in arrears in equal installments on April 30th and October 30th of each year, commencing on October 30, 2021. The proceeds received from the private placement on April 30th were used to repay existing credit facility indebtedness.

As at October 2, 2021, Lantic was in compliance with all the covenants under its revolving credit facility and its private placement and a total of \$498.5 million have been pledged as security, compared to \$482.9 million as at October 3, 2020 including trade receivables, inventories and property, plant and equipment.

In order to fix the interest rate on a substantial portion of the expected drawdown of the revolving credit facility, we enter into interest rate swap agreements. Since June 28, 2013, a number of interest rate swap agreements were put in place. The following table provides the outstanding swap agreements as at October 2, 2021 as well as their respective value, interest rate and time period:

Fiscal year contracted	Date	Total value
(in thousands of dollars)		\$
Fiscal 2017	May 29, 2017 to June 28, 2022 – 1.454%	20,000
Fiscal 2017	September 1, 2017 to June 28, 2022 – 1.946%	30,000
Fiscal 2017	June 29, 2020 to June 29, 2022 – 1.733%	30,000
Fiscal 2019	March 12, 2019 to June 28, 2024 – 2.08%	20,000
Fiscal 2020	October 3, 2019 to June 28, 2024 – 1.68%	20,000
Fiscal 2020	February 24, 2020 to June 28, 2025 – 1.60%	20,000
Fiscal 2020	June 28, 2021 to June 28, 2023 – 1.08%	10,000
Total outstanding value as at October 2, 2021		150,000
Forward start interest rate swaps:		
Fiscal 2019	June 29, 2022 to June 28, 2024 – 2.17%	80,000
Fiscal 2020	June 28, 2024 to June 28, 2025 – 1.18%	80,000



Lease obligations relate mainly to the leasing of facilities and various mobile equipment for the Sugar and Maple products segment operations.

Purchase obligations represent all open purchase orders as at year-end and approximately \$42.7 million for sugar beets that will be harvested and processed in fiscal 2022 but exclude any raw sugar priced against futures contracts. The purchase obligation regarding the sugar beets represents our best estimate of the amount expected to be payable in fiscal 2022 as of the date of this MD&A.

TMTC has \$23.1 million remaining to pay related to an agreement to purchase approximately \$32.7 million (10.7 million pounds) of maple syrup from the PPAQ. In order to secure bulk syrup purchases, the company issued an insurance bond for an amount of \$16.9 million in favor of the PPAQ. The insurance bond expires on March 1, 2022.

A significant portion of our sales are made under fixed-price, forward-sales contracts, which extend up to three years. The company also contracts to purchase raw cane sugar substantially in advance of the time it delivers the refined sugar produced from the purchase. To mitigate its exposure to future price changes, we attempt to manage the volume of refined sugar sales contracted for future delivery in relation to the volume of raw cane sugar contracted for future delivery, when feasible.

We use derivative instruments to manage exposures to changes in raw sugar prices, natural gas prices and foreign exchange. Our objective for holding derivatives is to minimize risk using the most efficient methods to eliminate or reduce the impacts of these exposures.

To reduce price risk, our risk management policy is to manage the forward pricing of purchases of raw sugar in relation to its forward refined sugar sales. We attempt to meet this objective by entering into futures contracts to reduce our exposure. Such financial instruments are used to manage our exposure to variability in fair value attributable to the firm commitment purchase price of raw sugar.

We have hedged the majority of our exposure to raw sugar price risk movement through September 2023.

At October 2, 2021, we had a net long sugar position of \$12.9 million in net contract amounts with a current net contract value of \$16.2 million. This long position represents the offset of a larger volume of sugar priced with customers than purchases priced from suppliers. This position also includes the pre-hedge program in Taber, using sugar futures contracts, of some of the beet sugar sales that will occur in the future, provided there is a contract in place with the Alberta Sugar Beet Growers to grow sugar beets.

We use futures contracts and swaps to help manage our natural gas costs. At October 2, 2021, we had \$28.1 million in natural gas derivatives, with a current contract value of \$39.6 million.

Our activities, which result in exposure to fluctuations in foreign exchange rates, consist of the purchasing of raw sugar, the selling of refined sugar and Maple products and the purchasing of natural gas. We manage this exposure by creating offsetting positions through the use of financial instruments. These instruments include forward contracts, which are commitments to buy or sell at a future date and may be settled in cash.

The credit risk associated with foreign exchange contracts arises from the possibility that counterparties to a foreign exchange contract in which we have an unrealized gain, fail to perform according to the terms of the contract. The credit risk is much less than the notional principal amount, being limited at any time to the change in foreign exchange rates attributable to the principal amount.

Forward foreign exchange contracts have maturities of less than three years and relate mostly to the U.S. currency, and to a much smaller extent, the Euro and Australian currency. The counterparties to these contracts are major Canadian financial institutions. We do not anticipate any material adverse effect on our financial position resulting from our involvement in these types of contracts, nor do we anticipate non-performance by the counterparties.

At October 2, 2021, we had a net \$88.6 million in foreign currency forward contracts with a current contract value of \$88.6 million.

As part of our normal business practice, we also enter into multi-year supply agreements with raw sugar processors for raw cane sugar. Contract terms will state the quantity and estimated delivery schedule of raw sugar. The price is determined at specified periods of time before such raw sugar is delivered based upon the value of Raw #11 as traded on the ICE world raw sugar market. At October 2, 2021, we had commitments to purchase a total of 1,082,000 metric tonnes of raw sugar, of which approximately 261,309 metric tonnes had been priced, for a total dollar commitment of \$144.3 million.

We have no other off-balance sheet arrangements.

### **Capital resources**

As at October 2, 2021, Lantic had a total of \$265.0 million of available working capital from its revolving credit facility, reduced to \$200.0 million as at November 23, 2021 as explained above, from which it can borrow at prime rate, LIBOR rate or under bankers' acceptances, plus 20 to 250 basis points, based on achieving certain financial ratios. As at October 2, 2021, a total of \$498.5 million of assets have been pledged as security for the revolving credit facility, compared to \$482.9 million as at October 2, 2020; including trade receivables, inventories and property, plant and equipment.

As at October 2, 2021, \$100.0 million had been drawn from the working capital facility and \$15.6 million in cash was also available.

The Taber beet operation requires seasonal working capital in the first half of the fiscal year, when inventory levels are high and a substantial portion of the payments due to the Growers is made. TMTC also has seasonal working capital requirements. Although the syrup inventory is received during the third quarter of the fiscal year, its payment terms with the PPAQ requires cash payment in the first half of the fiscal year. We have sufficient cash and availability under our line of credit to meet such requirements.

Future commitments of approximately \$17.2 million have been approved for completing capital expenditures presently in progress.

We also have funding obligations related to our employee future benefit plans, which include defined benefit pension plans. As at October 2, 2021, all of the company's registered defined benefit pension plans were in a deficit position. The most recent actuarial valuation of the pension plans for funding purposes was as of December 31, 2019, and the next required valuation will be as of December 31, 2022. We monitor our pension plan assets closely and follow strict guidelines to ensure that pension fund investment portfolios are diversified in line with industry best practices. Nonetheless, pension fund assets are not immune to market fluctuations and, as a result, we may be required to make additional cash contributions in the future. In fiscal 2021, cash contributions to defined benefit pension plans increased by approximately \$0.3 million to \$4.3 million. In total, we expect to incur cash contributions of approximately \$4.2 million for fiscal 2022 relating to employee defined benefit pension plans. For more information regarding the Company's employee benefits, please refer to Note 20 of the audited consolidated financial statements.

Cash requirements for working capital and other capital expenditures are expected to be paid from available cash resources and funds generated from operations. Management believes that the unused credit under the revolving facility is adequate to meet our expected cash requirements.

## OUTSTANDING SECURITIES

A total of 103,686,923 shares were outstanding as at October 2, 2021 and November 24, 2021 respectively (103,536,923 as at October 2, 2020).

On June 1, 2020, Rogers received approval from the Toronto Stock Exchange to proceed with a Normal Course Issuer Bid ("2020 NCIB"), under which it may purchase up to 1,500,000 common shares. In addition, Rogers entered into an automatic share purchase agreement with Scotia Capital Inc. in connection with the 2020 NCIB. Under the agreement, Scotia may acquire, at its discretion, common shares on Rogers' behalf during certain "black-out" periods, subject to certain parameters as to price and number of shares. The 2020 NCIB commenced on June 3, 2020 and terminated on June 2, 2021. No shares have been purchased under the 2020 NCIB.

On May 22, 2019, Rogers received approval from the Toronto Stock Exchange to proceed with a Normal Course Issuer Bid ("2019 NCIB"), under which it may purchase up to 1,500,000 common shares. The 2019 NCIB commenced on May 24, 2019 and terminated on March 30, 2020, whereby all common shares had been purchased. Under the 2019 NCIB, Rogers purchased 1,500,000 common shares having a book value of \$1.4 million for a total cash consideration of \$7.1 million. All shares purchased were cancelled.

During fiscal 2021, the total amount outstanding under the Sixth and Seventh series debentures was \$57.4 million and \$97.6 million respectively. No conversion has been done during the 2021 fiscal year compared to the previous fiscal year, where holders of the Sixth series debentures converted a total of \$0.1 million into 9,079 common shares and holders of the Seventh series debentures converted a total of \$0.2 million into 19,774 common shares.

We currently have a share option plan that was established in 2011 and amended in 2021. Under this plan, we have set aside 6,000,000 common shares to be granted to key personnel. As at October 2, 2021, a total of 3,535,997 options had been granted, of which 3,085,997 were outstanding, at exercise prices ranging between \$4.28 per share and \$6.51 per share. These share options are exercisable to a maximum of twenty percent per year, starting after the first anniversary date of the granting of the options and will expire after a term of ten years.

In fiscal 2018, a Performance Share Unit plan ("PSU") was created. The following table provides the detail of the grants under the PSU:

Grant date	PSU	Additional PSU	Total PSU	Performance Cycle
December 3, 2018	290,448	58,553	349,001	2019-2021
December 2, 2019	324,932	41,581	366,513	2020-2022
December 7, 2020	491,412	23,810	515,222	2021-2023

The PSUs were granted to executives and other key management employees and will vest at the end of the Performance Cycle based on the achievement of total shareholder returns set by the Human Resources and Compensation Committee ("HRCC") and the Board of Directors of the company. If the level of achievement of total shareholder returns is within the specified range, the value to be paid-out to each participant will be equal to the result of: the number of PSUs granted to the participant which have vested, multiplied by the volume weighted average closing price of the Common Shares on the Toronto Stock Exchange (the "TSX") for the five trading days immediately preceding the day on which the company shall pay the value to the participant under the PSU Plan. If the level of achievement of total shareholder returns is below the minimum threshold, the PSU will be forfeited without any payments made.

## ENVIRONMENT

Our policy is to meet all applicable government requirements with respect to environmental matters. Management believes that the company is in compliance in all material respects with environmental laws and regulations and maintains an open dialogue with regulators and the Government with respect to awareness and adoption of new standards.

During our third quarter of fiscal 2021, we published our first Environment, Social and Governance report which highlights our sustainability efforts in such areas as energy use, air emissions and water usage. The report can be accessed on SEDAR or on our website at [www.Lanticrogers.com](http://www.Lanticrogers.com).

With respect to potential environmental remediation of our properties, which could occur in the event of a building demolition or a sale, it is worth noting that the Vancouver and Montreal facilities have a lengthy history of industrial use, and fill materials have been used on the properties in the normal course of business. We have recorded provisions under asset retirement obligations for known and quantifiable potential remediation activities in connection with these properties. No assurance can be given that material expenditures will not be required in excess of the current asset retirement obligation provisions in connection with contamination from such industrial use or fill materials.

Although we are not aware of any specific problems at our Toronto distribution centre, our Taber plant and any of the TMTC properties, no assurance can be given that expenditures will not be required to deal with known or unknown contamination at the property or other facilities or offices currently or formerly owned, used or controlled by Lantic.

## RISKS AND UNCERTAINTIES

Rogers' business and operations are substantially affected by many factors, including prevailing margins on refined sugar and its ability to market sugar and maple products competitively, sourcing of raw material supplies, weather conditions, operating costs and government programs and regulations.

### Disease and Epidemics, including COVID-19

The impact of disease and epidemics may have a negative impact on RSI, Lantic or TMTC and their performance and financial position. The ongoing COVID-19 pandemic or new epidemics could result in health or other government authorities requiring the closure of offices or other businesses and could also result in a general

economic decline. For example, such events may adversely impact economic activity through disruption in supply and delivery chains. Moreover, RSI, Lantic or TMTC's operations could be negatively affected if personnel are affected by or quarantined as the result of, or in order to avoid, exposure to a contagious illness. Lantic and TMTC have been designated as "essential businesses" at this time, with minimal disruptions to operations, as described above.

A resulting negative impact on economic fundamentals and consumer confidence may negatively impact market value, increase market volatility, cause credit losses on customer sales or credit spreads to widen, and reduce liquidity, all of which could have an adverse effect on the business of RSI, Lantic or TMTC. The duration of the business disruption and related financial impact caused by a widespread health crisis cannot be reasonably estimated. The speed and extent of the spread of COVID-19, and the duration and intensity of resulting business disruption and related financial and social impact, are uncertain, and such adverse effects may be material. While governmental agencies and private sector participants will seek to mitigate the adverse effects of this pandemic, which may include such measures as heightened sanitary practices, telecommuting, quarantine, curtailment or cessation of travel, and other restrictions, the efficacy of such measures is uncertain. RSI's, Lantic's and TMTC's operations and business results could be materially adversely affected. The extent to which COVID-19 (or any other disease or epidemic) impacts business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the pandemic and the actions required to contain it or treat its impact, among others.

### Dependence Upon Lantic

RSI is entirely dependent upon the operations and assets of Lantic through its ownership of securities of this company. Accordingly, interest payments to debenture holders and dividends to shareholders are dependent upon the ability of Lantic and/or TMTC to pay its interest obligations under the subordinated notes and to declare and pay dividends on or return capital in respect of the common shares. The terms of Lantic's bank and other indebtedness restricts its ability to pay dividends and make other distributions on its shares or make payments of principal or interest on subordinated debt, including debt which may be held, directly or indirectly, by RSI, in certain circumstances. In addition, Lantic may defer payment of interest on the subordinated notes at any given time for a period of up to 18 months.

### **No Assurance of Future Performance**

Historic and current performance of the business of RSI, Lantic and TMTC may not be indicative of success in future periods. The future performance of the business may be influenced by economic downturns and other factors beyond the control of RSI, Lantic and TMTC. As a result of these factors, the operations and financial performance of Lantic and TMTC may be negatively affected, which may materially adversely affect our financial results.

### **Government Regulations and Foreign Trade Policies with regards to Sugar**

In July 1995, Revenue Canada made a preliminary determination, followed by a final determination in October 1995, that there was dumping of refined sugar from the US, Denmark, Germany, the United Kingdom ("UK"), Netherlands and the Republic of Korea into Canada, and that subsidized refined sugar was being imported into Canada from the European Union ("EU"). The Canadian International Trade Tribunal ("CITT") conducted an inquiry and, on November 6, 1995, ruled that the dumping of refined sugar from the US, Denmark, Germany, the UK, and Netherlands, as well as the subsidizing of refined sugar from the EU, was threatening material injury to the Canadian sugar industry. The ruling resulted in the imposition of protective duties on these unfairly traded imports.

Under Canadian laws, these duties must be reviewed every five years. On August 6, 2021, the CITT concluded its fifth review of the 1995 findings and issued its decision to continue the duties for another five-year period against (i) dumped sugar from the US, Denmark, Germany, Netherlands, and the UK, and (ii) subsidized sugar from the EU. The Canadian Sugar Institute ("CSI") and its members, including Lantic, participated fully in the review and submitted detailed evidence and witness testimony to the CITT. The CITT agreed that imports of dumped and subsidized sugar would likely cause material injury to the Canadian industry if the duty protection was removed.

On October 6, 2021, the Canada Border Services Agency ("CBSA") initiated a re-investigation to update the levels of the anti-dumping and countervailing duty protection. The last re-investigation was concluded in September 2014. The CSI and its members are participating fully in the re-investigation. The updated levels of protection will be announced and enter into force at the conclusion of the re-investigation, currently expected on March 4, 2022. There is no assurance that the duty protection will remain at current levels.

The duties on imports of US and EU refined sugar are important to Lantic and to the Canadian refined sugar industry in general because they protect the market from the adverse effect of unfairly traded imports from these sources. The government support and trade distorting attributes of the US and EU sugar regimes continue to

generate surplus refined sugar production and exports that threaten the Canadian sugar market. If the duties were to be eliminated or significantly reduced in the future, there could be material financial impact to Lantic and other members of the Canadian refined sugar industry.

### **Fluctuations in Margins and Foreign Exchange**

Lantic's profitability is principally affected by its margins on domestic refined sugar sales. In turn, this price is affected by a variety of market factors such as competition, government regulations and foreign trade policies. Lantic, through the Canadian-specific quota, normally sells a small portion of its production of refined sugar per year in the U.S. and to Mexico and also sells beet pulp to export customers in U.S. dollars. Lantic's Taber sugar sales in Canada are priced against the #11 world raw sugar market, which trades in U.S. dollars, while the sugar derived from the sugar beets is paid for in Canadian dollars to the Growers. Fluctuations in the value of the Canadian dollar will impact the profitability of these sales. Except for these sales, which currently can only be supplied by the Lantic's Taber beet plant, and sales to the U.S. under other announced specific quotas, most sales are in Canada and have little exposure to foreign exchange movements.

Fluctuation in the value of the Canadian dollar also impact the profitability of TMTC, as certain export sales of maple syrup are denominated in U.S. dollars, in Euro or in Australian dollars. Fluctuations in the value of the Canadian dollar will impact the profitability of these sales. In order to mitigate against the movement of the Canadian dollar versus the U.S. dollars, Euro or Australian dollars, we enter into foreign exchange hedging contracts with certain customers.

There can be no assurance that Lantic and TMTC will be able to continue to mitigate efficiently their exposure to foreign exchange risk in the future.

### **Fluctuations in Raw Sugar Prices**

Raw sugar prices are not a major determinant of the profitability of Lantic's cane sugar operations, as the price at which sugar is both purchased and sold is related to the Raw #11 world sugar price and all transactions are hedged. In a market where world raw sugar is tight due to lower production, significant premiums may be charged on nearby deliveries which would have a negative impact on the adjusted gross margins of the cane operations.

A relatively high world raw sugar price and/or low price of corn will also reduce the competitive position of liquid sugar in Canada as compared to HFCS which could result in the loss of HFCS substitutable business for Lantic.

### Security of Raw Sugar Supply

There are over 174 million metric tonnes of sugar produced worldwide. Of this, more than 52 million metric tonnes of sugar are traded on the world market. Lantic, through its cane refining plants, buys approximately 0.7 million metric tonnes of raw sugar per year. Even though worldwide raw sugar supply is much larger than Lantic's yearly requirements, concentration of supply in certain countries like Brazil, combined with an increase in cane refining operations in certain countries, may create tightness in raw sugar availability at certain times of the year. To prevent any raw sugar supply shortage, Lantic normally enters into long-term supply contracts with reputable suppliers. For raw sugar supply not under contract, significant premiums may be paid on the purchase of raw sugar on a nearby basis, which may negatively impact adjusted gross margins.

The availability of sugar beets to be processed in Taber, Alberta is dependent on a supply contract with the Growers, and on the Growers planting the necessary acreage every year. In the event that sufficient acreage is not planted in a certain year, or that Lantic and the Growers cannot agree on a supply contract, sugar beets might not be available for processing, thus requiring transfer of products from Lantic's cane refineries to the Prairie market, normally supplied by Taber. This would increase Lantic's distribution costs and may have an impact on the adjusted gross margin rate per metric tonne sold.

### Weather and Other Factors Related to Production

Sugar beets, as is the case with most other crops, are affected by weather conditions during the growing season. Additionally, weather conditions during the harvesting and processing season could affect the Lantic's total beet supply and sugar extraction from beets stored for processing. A significant reduction in the quantity or quality of sugar beets harvested due to adverse weather conditions, disease or other factors could result in decreased production, with negative financial consequences to Lantic.

### Regulatory Regime Governing the Purchase and Sale of Maple Syrup in Québec

Producers of maple syrup in Québec are required to operate within the framework provided for by the Marketing Act. Pursuant to the Marketing Act, producers, including producers of maple syrup, can take collective and organized control over the production and marketing of their products (i.e. a joint plan). Moreover, the Marketing Act empowers the marketing board responsible for administering a joint plan, that is the PPAQ in the case of maple syrup, with the functions and role otherwise granted to the Régie des marchés agricoles et alimentaires du Québec, the governing body created by the Government of Québec to regulate, among other things, the agricultural and food markets in Québec. As part of its regulating

and organizing functions, the PPAQ may establish arrangements to maintain fair prices for all producers and may manage production surpluses and their storage to stabilize the pricing of maple syrup.

Pursuant to the Sales Agency Regulation, the PPAQ is responsible for the marketing of bulk maple syrup in Québec. Therefore, any container that contains 5L or more of maple syrup must be marketed through the PPAQ as the exclusive selling agent for the producers. Bulk maple syrup may be sold to the PPAQ or to "authorized buyers" accredited by the PPAQ. In Québec, nearly 90% of the total production of maple syrup is sold to the PPAQ or the authorized buyers, leaving only approximately 10% of the total production being sold directly by the producers to consumers or grocery stores. TMTC is an authorized buyer with the PPAQ. The authorized buyer status is renewed on an annual basis. There is no certainty that TMTC will be able to maintain its status as an authorized buyer with the PPAQ. Failure by TMTC to remain an authorized buyer with the PPAQ will likely affect the capacity to fully supply the resale of maple syrup or Maple products and therefore the financial results of RSI.

The PPAQ, in its capacity as bargaining and sales agent for the producers of maple syrup in Québec as well as the body empowered to regulate and organize the production and marketing of maple syrup, and the bulk buyers of maple syrup, represented by the MIC entered into the Marketing Agreement, which is expected to be renewed on an annual basis. Pursuant to the Marketing Agreement, authorized buyers must pay a minimum price to the PPAQ for any maple syrup purchased from the producers. As a result, TMTC's ability to negotiate the purchase price of maple syrup is limited. Moreover, the minimum purchase price that is applicable to the authorized buyers with the PPAQ also restricts TMTC's ability to adjust its resale pricing to take into account market fluctuations due to supply and demand. TMTC's incapacity to adjust its resale prices upward to take into account any increase in consumer demand may affect the financial outlook of RSI.

Pursuant to the Marketing Agreement, authorized buyers must buy Maple products from the PPAQ in barrels corresponding to the "anticipated volume". The anticipated volume must be realistic and in line with volumes purchased in previous years. The refusal from the PPAQ to accept the anticipated volume set forth by TMTC or the failure by TMTC to properly estimate the anticipated volume for a given year may affect the ability for TMTC to increase its reselling capacity and could materially adversely affect RSI's financial results and operations.

### **Production of Maple Syrup Being Seasonal and Subject to Climate Change**

The production of maple syrup takes place over a period of 6 to 8 weeks during the months of March and April of each year. Maple syrup production is intimately tied to the weather as sap only flows when temperatures rise above freezing level during the day and drop below it during the night, such temperature difference creating enough pressure to push sap out of the maple tree. Given the sensitivity of temperature in the process of harvesting maple sap, climate change and global warming may have a material impact on such process as the maple syrup production season may become shorter. Reducing the production season for maple syrup may also have an impact on the level of production.

In 2002, the PPAQ set up a strategic maple syrup reserve in order to mitigate production fluctuations imputable to weather conditions and prevent such fluctuations from causing maple syrup prices to spike or drop significantly. The reserve was initially established to set aside a production quantity equivalent to half of the then annual demand. Each year, the PPAQ may organize a sale of a portion of its accumulated reserve. There can be no assurance that TMTC will have access to some of such reserve to offset decreases in production due to weather conditions or that such reserve will be sufficient to cover a gap in the production in any given year. Any decrease in production or incapacity to purchase additional reserves from the PPAQ may affect TMTC's supply of its sales of maple syrup and other Maple products and, ultimately, its financial results.

### **Competition**

For the Sugar segment, Lantic faces domestic competition from Redpath Sugar Ltd. and smaller regional operators and/distributors of both foreign and domestic refined sugar. Differences in proximity to various geographic areas within Canada and elsewhere result in differences in freight and shipping costs, which in turn affect pricing and competitiveness in general.

In addition to sugar, the overall sweetener market also includes corn-based sweeteners, such as HFCS, an alternative liquid sweetener, which can be substituted for liquid sugar in soft drinks and certain other applications; and non-nutritive, high intensity sweeteners such as aspartame, sucralose and stevia. Differences in functional properties and prices have tended to define the use of these various sweeteners. For example, HFCS is limited to certain applications where a liquid sweetener can be used. Non-nutritive sweeteners are not interchangeable in all applications. The substitution of other sweeteners for sugar has occurred in certain products, such as soft drinks. We are not able to predict the availability, development or potential use of these sweeteners and their possible impact on Lantic's operations.

For the Maple products segment, TMTC is among the largest branded and private label maple syrup bottling and distributing companies in the world. TMTC has three major competitors in Canada and also competes against a multitude of US bottlers and distributing companies.

A large majority of TMTC's revenues are made under the private label line. TMTC anticipates that for a foreseeable future, its relationship with its top private label customers will continue to be key and will continue to have a material impact on its sales. Although TMTC considers that the relationship with its top private label customers is excellent, the loss of, or a decrease in the amount of business from, such customers, or any default in payment on their part could significantly reduce TMTC's sales and harm RSI's operating and financial results.

### **Consumer Habits may Change**

The maple products market, both national and international, has experienced some important changes over the last few years as maple products are becoming better known and consumer preferences and consumption patterns have shifted to more natural products. Maple syrup has typically been used, principally in North America, as a natural alternative to traditional sweeteners and has been served on morning meals, such as pancakes, waffles and other breakfast bakeries for decades. As a result of evolving customer trends, TMTC will need to anticipate developments in a competitive environment on a timely basis. The failure of TMTC to anticipate, identify and react to shifting consumer and retail customer trends and preferences through successful innovation and enhanced production capability could adversely result in reduced demand for its products, which could in turn affect the financial performance of RSI. There is also no guarantee that the current favourable market trends will continue in the future.

### **Growth of TMTC's Business Relying Substantially on Exports**

The size of the global market for maple syrup is currently estimated at \$733 million, the United States being by far the world's largest importer, followed by Japan and Germany. Despite the increase of sales of maple products that the Canadian market has experienced in recent years, the potential for growth of this industry largely relies on the international market. Moreover, over the last few years, New York, Vermont and Maine have increased their production of maple syrup and have now become competitors of Québec, which however remains the largest producer and exporter of maple syrup in the world. While TMTC continues to develop its selling efforts outside of Canada, including through forming new partnerships in countries where the maple syrup market is undeveloped, it will likely face high competition from other bottlers and distributors, including from other Canadian and U.S. companies, for its share of the international

market. Such growing competition and the incapacity for TMTC to further develop its selling efforts outside of Canada could adversely affect RSI's capacity to grow TMTC's business and its future results. Furthermore, an incapacity to attract increased attention on maple products or a sudden lack of interest for such products from customers outside of North America may affect RSI's future results.

### **Operating Costs**

Natural gas represents an important cost in our refining operations. Our Taber beet factory includes primary agricultural processing and refining. As a result, Taber uses more energy in its operations than the cane facilities in Vancouver and Montréal, principally as a result of the need to heat the cossettes (sliced sugar beets) to evaporate water from juices containing sugar, and to dry wet beet pulp. Changes in the costs and sources of energy may affect the financial results of Lantic's operations. In addition, all natural gas purchased is priced in U.S. dollars. Therefore, fluctuations in the Canadian/U.S. dollar exchange rate will also impact the cost of energy. Lantic hedges a portion of its natural gas price exposure through the use of natural gas contracts to lessen the impact of fluctuations in the price of natural gas. Provincial application of some form of carbon tax has been increasingly important across Canada and for some provinces with a carbon tax, rates have been increasing, which could increase the overall energy costs for Lantic.

### **Foreign Trade Policies with regards to Maple products**

TMTC's international operations are also subject to inherent risks, including change in the free flow of food products between countries, fluctuations in currency values, discriminatory fiscal policies, unexpected changes in local regulations and laws and the uncertainty of enforcement of remedies in foreign jurisdictions. In addition, foreign jurisdictions, including the United States, TMTC's current and expected largest market, could impose tariffs, quotas, trade barriers and other similar restrictions on TMTC's international sales and subsidize competing agricultural products.

All of these risks could result in increased costs or decreased revenues, either of which could materially adversely affect TMTC's financial condition and results of operations.

### **Employee Relations and Labour Force**

The majority of Lantic's operations are unionized and agreements are currently in place in each unionized facility. During fiscal 2021, Lantic renegotiated the collective agreement with the union at its Montreal facility. The agreement was renewed in November 2021 at competitive rates for a period of five years.

Lantic has contingency plans in place to mitigate the potential impact of labour disruptions at its facilities. However, such potential disruptions in future years could restrict Lantic's ability to service its customers in the affected regions, consequently affecting RSI's financial results.

Additionally, Lantic's and TMTC's future performance and development depend to a significant extent on the abilities, experience and efforts of its management team and employees. The loss of key employees could adversely impact Lantic and TMTC.

### **Food Safety and Consumer Health**

Lantic and TMTC are subject to risks that affect the food industry in general, including risks posed by accidental contamination, product tampering, consumer product liability, and the potential costs and disruptions of a product recall. Lantic and TMTC actively manage these risks by maintaining strict and rigorous controls and processes in its manufacturing facilities and distribution systems and by maintaining prudent levels of insurance.

Our facilities are subject to audit by federal health agencies in Canada and similar institutions outside of Canada. We also perform our own audits designed to ensure compliance with its internal standards, which are generally at, or higher than, regulatory agency standards in order to mitigate the risks related to food safety.

Consumers, public health officials and government officials are increasingly concerned about the public health consequences of obesity, particularly among young people. In addition, some researchers, health advocates and dietary guidelines are suggesting that consumption of sugar, in various forms, is a primary cause of increased obesity rates and are encouraging consumers to reduce their consumption of sugar. Increasing public concern about obesity and other health conditions; possible new or increased taxes on products containing sugar, such as sugar-sweetened beverages by government entities to reduce consumption or to raise revenue; shift in consumer preferences from sugar to other types of sweeteners; additional governmental regulations concerning the marketing, labeling, packaging or sale of products and negative publicity may reduce demand for the products of Lantic and TMTC and each of the aforementioned factors could materially adversely affect RSI's financial results and operations.



### **Cybersecurity**

RSI faces various security threats, including cybersecurity threats to gain unauthorized access to sensitive information, to render data or systems unusable, or otherwise affect RSI's ability to operate. Lantic's and TMTC's operations require it to use and store personally identifiable and other sensitive information of its employees, notably. The collection and use of personally identifiable information are governed by Canadian federal and provincial laws and regulations. Privacy and information security laws continue to evolve and may be inconsistent from one jurisdiction to another. The security measures put in place by RSI in that regard cannot provide absolute security, and RSI's information technology infrastructure may be vulnerable to cyberattacks, including without limitation, malicious software, attempts to gain unauthorized access to data hereinabove mentioned, and other electronic security breaches that could lead to disruptions in critical systems, corruptions of data and unauthorized release of confidential or otherwise protected information. The occurrence of one of these events could cause a substantial decrease in revenues, increased costs to respond or other financial loss, damage to reputation, increased regulation or litigation or inaccurate information reported by Lantic's and TMTC's operations. These developments may subject Lantic's and TMTC's operations to increased risks, as well as increased costs, and, depending on their ultimate magnitude, could materially and adversely affect RSI's financial results and operations.

We seek to manage cybersecurity risk by continuing to invest in appropriate information technology systems, infrastructure and security, including disaster plans, reviewing its existing technologies, processes and practices on a regular basis and ensuring employees understand and are aware of their role in protecting the integrity of our technological security and information. We rely on third party products and services to assist us in protecting our information technology infrastructure and our proprietary and confidential information. We seek to be proactive in the area of cybersecurity and consequently anticipate that we will continue to incur expenses in relation to, and dedicate personnel and other resources to, cybersecurity, as new and increasingly complex threats and risks are identified and responded to.

### **Environmental Matters**

Lantic's and TMTC's operations are subject to environmental regulations imposed by federal, provincial and municipal governments in Canada, including those relating to the treatment and disposal of wastewater and cooling water, air emissions, contamination and spills of substances. We believe we are in

compliance in all material respects with environmental laws and regulations. However, these regulations have become progressively more stringent and we anticipate this trend will continue, potentially resulting in the incurrence of material costs to achieve and maintain compliance.

Violation of these regulations can result in fines or other penalties, which in certain circumstances can include clean-up costs. As well, liability to characterize and clean up or otherwise deal with contamination on or from properties owned, used or controlled by Lantic and or TMTC currently or in the past can be imposed by environmental regulators or other third parties. Such liabilities could materially adversely affect RSI's financial results and operations.

### **Income Tax Matters**

The income of RSI, Lantic and TMTC must be computed and is taxed in accordance with Canadian tax laws, all of which may be changed in a manner that could adversely affect the ability to pay dividends in the future. There can be no assurance that taxation authorities will accept the tax positions adopted including the determination of the amounts of federal and provincial income which could materially adversely affect dividends.

The current corporate structure involves a significant amount of inter-company or similar debt, generating substantial interest expense, which reduces earnings and therefore income tax payable at Lantic and TMTC's level. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted. If such a challenge were to succeed against Lantic, it could materially adversely affect the amount of cash transferred to RSI for dividend payment. Management believes that the interest expense inherent in the structure is supportable and reasonable considering the terms of the debt owed by Lantic to RSI and TMTC to Lantic.

### **Management and Operation of Lantic**

The Board of Directors of Lantic is currently controlled by Lantic Capital, an affiliate of Belcorp Industries. As a result, holders of shares have limited say in matters affecting the operations of Lantic; if such holders are in disagreement with the decisions of the Board of Directors of Lantic, they have limited recourse. The control exercised by Lantic Capital over the Board of Directors of Lantic may make it more difficult for others to attempt to gain control of or influence the activities of Lantic and RSI.

## NON-GAAP MEASURES

In analyzing results, we supplement the use of financial measures that are calculated and presented in accordance with IFRS with a number of non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flow that excludes (includes) amounts or is subject to adjustments that have the effect of excluding (including) amounts, that are included (excluded) in most directly comparable measures calculated and presented in accordance with IFRS. Non-GAAP financial measures are not standardized; therefore, it may not be possible to compare these financial measures with the non-GAAP financial measures of other companies having the same or similar businesses. We strongly encourage investors to review the audited consolidated financial statements and publicly filed reports in their entirety, and not to rely on any single financial measure.

We use these non-GAAP financial measures in addition to, and in conjunction with, results presented in accordance with IFRS. These non-GAAP financial measures reflect an additional way of viewing aspects of the operations that, when viewed with the IFRS results and the accompanying reconciliations to corresponding IFRS financial measures, may provide a more complete understanding of factors and trends affecting our business.

The following is a description of the non-GAAP measures used by RSI in the MD&A:

- Adjusted gross margin is defined as gross margin adjusted for:
  - "the adjustment to cost of sales", which comprises the mark-to-market gains or losses on sugar futures, foreign exchange forward contracts and embedded derivatives as shown in the notes to the consolidated financial statements and the cumulative timing differences as a result of mark-to-market gains or losses on sugar futures, foreign exchange forward contracts and embedded derivatives as described below; and
  - "the amortization of transitional balance to cost of sales for cash flow hedges", which is the transitional marked-to-market balance of the natural gas futures outstanding as of October 1, 2016 amortized over time based on their respective settlement date until all existing natural gas futures have expired, as shown in the notes to the consolidated financial statements.
- Adjusted results from operating activities is defined as results from operating activities adjusted for the adjustment to cost of sales, the amortization of transitional balances to cost of sales for cash flow hedges.
- Adjusted EBITDA is defined as adjusted results from operating activities adjusted to add back depreciation and amortization expenses and the Maple segment non-recurring expensess.
- Adjusted net earnings is defined as net earnings adjusted for the adjustment to cost of sales, the amortization of transitional balances to cost of sales for cash flow hedges, the amortization of transitional balance to net finance costs, the derecognition of contracts from hedge accounting and changes in fair value of derecognized contracts and the income tax impact on these adjustments. Amortization of transitional balance to net finance costs is defined as the transitional marked-to-market balance of the interest rate swaps outstanding as of October 1, 2016, amortized over time based on their respective settlement date until all existing interest rate swaps agreements have expired, as shown in the notes to the consolidated financial statements. Derecognition of contracts from hedge accounting and changes in fair value of derecognized contracts is defined as the impact of changes in fair value of interest rate swaps that no longer meet the criteria for hedged accounting.
- Adjusted gross margin rate per MT is defined as adjusted gross margin of the Sugar segment divided by the sales volume of the Sugar segment.
- Adjusted gross margin percentage is defined as the adjusted gross margin of the Maple segment divided by the revenues generated by the Maple segment.
- Adjusted net earnings per share is defined as adjusted net earnings divided by the weighted average number of shares outstanding.
- Free cash flow is defined as cash flow from operations excluding changes in non-cash working capital, mark-to-market and derivative timing adjustments, amortization of transitional balances, financial instruments non-cash amount, and includes deferred financing charges, funds received from stock options exercised, capital and intangible assets expenditures, net of value added capital expenditures, and payments of capital leases.

In the MD&A, we discuss the non-GAAP financial measures, including the reasons why we believe these measures provide useful information regarding the financial condition, results of operations, cash flows and financial position, as applicable. We also discuss, to the extent material, the additional purposes, if any, for which these measures are used. These non-GAAP measures should not be considered in isolation, or as a substitute for, analysis of RSI's results as reported under GAAP. Reconciliations of non-GAAP financial measures to the most directly comparable IFRS financial measures are as follows:

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO IFRS FINANCIAL MEASURES

Consolidated results	Q4 2021 <sup>(2)</sup>			Q4 2020 <sup>(2)</sup>		
	Sugar	Maple Products	Total	Sugar	Maple Products	Total
(In thousands of dollars)						
	\$	\$	\$	\$	\$	\$
Gross margin	35,671	3,945	39,616	32,198	5,692	37,890
Total adjustment to the cost of sales <sup>(1)</sup>	(9,651)	1,055	(8,596)	3,305	(1,130)	2,175
Adjusted Gross Margin	26,020	5,000	31,020	35,503	4,562	40,065
Results from operating activities	25,549	1,403	26,952	20,198	2,631	22,829
Total adjustment to the cost of sales <sup>(1)</sup>	(9,651)	1,055	(8,596)	3,305	(1,130)	2,175
Adjusted results from operating activities	15,898	2,458	18,356	23,503	1,501	25,004
Results from operating activities	25,549	1,403	26,952	20,198	2,631	22,829
Total adjustment to the cost of sales <sup>(1)</sup>	(9,651)	1,055	(8,596)	3,305	(1,130)	2,175
Depreciation of property, plant and equipment, amortization of intangible assets and right-of-use assets	4,737	1,694	6,430	4,479	1,685	6,164
Maple Segment non-recurring costs	—	—	—	—	63	63
Adjusted EBITDA	20,634	4,152	24,786	27,982	3,249	31,231
Net earnings			16,140			12,952
Total adjustment to the cost of sales <sup>(1)</sup>			(8,596)			2,175
Amortization of transitional balance to net finance costs <sup>(1)</sup>			—			—
Net change in fair value in interest rate swaps <sup>(1)</sup>			(162)			—
Income taxes on above adjustments			2,238			(576)
Adjusted net earnings			9,620			14,551
Net earnings per share (basic)			0.16			0.13
Adjustment for the above			(0.07)			0.01
Adjusted net earnings per share (basic)			0.09			0.14

<sup>(1)</sup> See "Adjusted results" section.

<sup>(2)</sup> The fourth quarter of fiscal 2021 consists of 13 weeks and the fourth quarter of 2020 consists of 14 weeks.

Consolidated results	FY 2021 <sup>(2)</sup>			FY 2020 <sup>(2)</sup>		
	Sugar	Maple Products	Total	Sugar	Maple Products	Total
(In thousands of dollars)						
	\$	\$	\$	\$	\$	\$
Gross margin	121,029	18,715	139,744	105,088	21,111	126,199
Total adjustment to the cost of sales <sup>(1)</sup>	(20,806)	1,873	(18,933)	1,124	(1,205)	(81)
Adjusted Gross Margin	100,223	20,588	120,811	106,212	19,906	126,118
Results from operating activities	77,266	7,231	84,497	60,863	7,147	68,010
Total adjustment to the cost of sales <sup>(1)</sup>	(20,806)	1,873	(18,933)	1,124	(1,205)	(81)
Adjusted results from operating activities	56,460	9,104	65,564	61,987	5,942	67,929
Results from operating activities	77,266	7,231	84,497	60,863	7,147	68,010
Total adjustment to the cost of sales <sup>(1)</sup>	(20,806)	1,873	(18,933)	1,124	(1,205)	(81)
Depreciation of property, plant and equipment, amortization of intangible assets and right-of-use assets	18,180	7,031	25,211	16,890	6,588	23,478
Maple Segment non-recurring costs	—	247	247	—	852	852
Adjusted EBITDA	74,640	16,382	91,022	78,877	13,382	92,259
Net earnings			47,527			35,419
Total adjustment to the cost of sales <sup>(1)</sup>			(18,933)			(81)
Amortization of transitional balance to net finance costs <sup>(1)</sup>						(197)
Net change in fair value in interest rate swaps <sup>(1)</sup>			145			
Income taxes on above adjustments			4,821			104
Adjusted net earnings			33,866			35,245
Net earnings per share (basic)			0.46			0.34
Adjustment for the above			(0.13)			—
Adjusted net earnings per share (basic)			0.33			0.34

<sup>(1)</sup> See "Adjusted results" section.

<sup>(2)</sup> Fiscal 2021 consists of 52 weeks and fiscal 2020 consists of 53 weeks.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of our audited consolidated financial statements in conformity with IFRS requires us to make estimates and judgements that affect the reported amounts of assets and liabilities, net revenue and expenses, and the related disclosures. Such estimates include the valuation of goodwill, intangible assets, identified assets and liabilities acquired in business combinations, other long-lived assets, income taxes, the provision for asbestos removal and pension obligations. These estimates and assumptions are based on management's best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience, knowledge of economics and market factors, and various other assumptions that management believe to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from these estimates. Changes in those estimates and assumptions are recognized in the period in which the estimates are revised. Refer to note 2 (d) to the audited consolidated financial statements for more detail.

## CHANGES IN ACCOUNTING PRINCIPLES AND PRACTICES NOT YET ADOPTED

A number of new standards, and amendments to standards and interpretations, are not yet effective and have not been applied in preparing our audited consolidated financial statements for 2021. Management has reviewed such new standards, proposed amendments, and does not anticipate that they will have a material impact on Rogers' financial statements. Refer to note 3 (b) of the unaudited condensed interim financial statements and to note 3 (r) of the 2021 audited consolidated financial statements for details.

## CONTROLS AND PROCEDURES

In compliance with the provisions of Canadian Securities Administrators' Regulation 52-109, we have filed certificates signed by the President and Chief Executive Officer ("CEO") and by the Vice-President Finance and Chief Financial Officer ("CFO"), in that, among other things, report on:

- their responsibility for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for RSI; and
- the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

## DISCLOSURE CONTROLS AND PROCEDURES

The CEO and the CFO, have designed the disclosure controls and procedures ("DC&P"), or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the company is made known to the CEO and CFO by others, particularly during the period in which the interim and annual filings are being prepared; and
- information required to be disclosed by the company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

As at October 2, 2021, an evaluation was carried out, under the supervision of the CEO and the CFO, of the design and operating effectiveness of the company's DC&P. Based on this evaluation, the CEO and the CFO concluded that the company's DC&P were appropriately designed and were operating effectively as at October 2, 2021.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and CFO have also designed internal controls over financial reporting ("ICFR"), or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS using the framework established in "Internal Control – Integrated Framework (COSO 2013 Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)". As at October 2, 2021, an evaluation was carried out, under the supervision of the CEO and the CFO, of the design and operating effectiveness of RSI's ICFR. Based on that evaluation, they have concluded that the design and operation of the company's internal controls over financial reporting were effective as at October 2, 2021.

In designing and evaluating such controls, it should be recognized that, due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is obliged to use judgement in evaluating controls and procedures.

## CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the company's internal controls over financial reporting during the year that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

## FORWARD-LOOKING STATEMENTS

This report contains Statements or information that are or may be "forward-looking statements" or "forward-looking information" within the meaning of applicable Canadian Securities laws. Forward-looking statements may include, without limitation, statements and information which reflect the current expectations of RSI with respect to future events and performance. Wherever used, the words "may," "will," "should," "anticipate," "intend," "assume," "expect," "plan," "believe," "estimate," and similar expressions and the negative of such expressions, identify forward-looking statements.

Although this is not an exhaustive list, RSI cautions investors that statements concerning the following subjects are, or are likely to be, forward-looking statements:

- future prices of raw sugar
- natural gas costs
- the opening of special refined sugar quotas in the United States ("U.S.")
- beet production forecasts
- growth of the maple syrup industry and the refined sugar industry
- the status of labour contracts and negotiations
- the level of future dividends
- the status of government regulations and investigations
- the impact of the COVID-19 pandemic on RSI and its operations.

Forward-looking statements are based on estimates and assumptions made by RSI in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances, including with respect to the continuity of its operations despite the COVID-19 pandemic, but there can be no assurance that such estimates and assumptions will prove to be correct. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Actual performance or results could differ materially from those reflected in the forward-looking statements, historical results or current expectations. Readers should also refer to the section "Risks and Uncertainties" in this MD&A for additional information on risk factors and other events that are not within our control. These risks are also referred to in Rogers' Annual Information Form in the "Risk Factors" section.

Although we believe that the expectations and assumptions on which forward-looking information is based are reasonable under the current circumstances, readers are cautioned not to rely unduly on this forward-looking information as no assurance can be given that it will prove to be correct. Forward-looking information contained herein is made as at the date of this MD&A and RSI does not undertake any obligation to update or revise any forward-looking information, whether as a result of events or circumstances occurring after the date hereof, unless so required by law.

## RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Rogers Sugar Inc. and all the information in this annual report pertaining to the Corporation are the responsibility of the Administrator and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by the Administrator in accordance with International Financial Reporting Standards by applying the detailed accounting policies set out in the notes to the financial statements. The Administrator is of the opinion that the consolidated financial statements were prepared based on reasonable and material criteria and using justifiable and reasonable estimates. The Administrator has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements of the Corporation.

The Administrator maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that the Administrator fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements of the Corporation. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and all of its members are outside and unrelated directors. The committee meets with the Administrator, as well as external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The committee reports its findings to the Board for consideration when approving the financial statements for issuance to the Shareholders. The committee also considers, for review by the Board and approval by the Shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements of the Corporation have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Shareholders. KPMG LLP has full and free access to the Audit Committee.



Michael Walton,  
President and Chief Executive Officer  
Lantic Inc., Administrator



Jean-Sébastien Couillard,  
Vice President Finance, Chief Financial Officer and Corporate Secretary  
Lantic Inc., Administrator

November 24, 2021

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Rogers Sugar Inc.

### Opinion

We have audited the consolidated financial statements of Rogers Sugar Inc. (the "Entity"), which comprise:

- the consolidated statements of financial position as at October 2, 2021 and October 3, 2020;
- the consolidated statements of earnings and comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at October 2, 2021 and October 3, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *"Auditors' Responsibilities for the Audit of the Financial Statements"* section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended October 2, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditors' report.



### **Goodwill impairment assessment for the Maple products cash-generating unit**

#### **Description of the matter**

As discussed in Notes 3(i) and 15 to the financial statements, the Entity performs impairment testing annually for goodwill and when circumstances indicate that there may be an impairment. The goodwill balance as of October 2, 2021 is \$283 million, of which \$53 million relate to the Maple products cash-generating unit ("CGU"). The Entity assesses impairment by comparing the carrying amount of the CGU to its recoverable amount. The recoverable amount is based on the higher of the value in use and fair value less costs to sell. Value in use is based on estimates of discounted future cash flows expected to be recovered from the CGU through its use. Fair value less costs to sell is the amount obtainable from the sale of the CGU in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. The Entity's significant assumption in determining the fair value less costs to sell relates to the range of earning multiples.

#### **Why the matter is a key audit matter**

We identified the evaluation of the goodwill impairment analysis for the Maple products CGU as a key audit matter. This matter represented an area of significant risk of misstatement given the magnitude of goodwill and the high degree of estimation uncertainty in assessing the assumptions used to determine the recoverable amounts. Significant auditor judgement and the involvement of professionals with specialized skills and knowledge was required to evaluate the evidence for the Entity's significant assumptions. Minor changes to these assumptions could have a significant effect on the recoverable amount of the CGU and result in impairment charges.

#### **How the matter was addressed in the audit**

The following are the primary procedures we performed to address this key audit matter.

We involved valuation professionals with specialized skills and knowledge, who assisted in developing an independent expectation of the fair value less costs to sell for the Maple product CGU. The procedures performed include the following:

- Developed a range of adjusted earnings before interest, tax, depreciation and amortization ("EBITDA") multiples based on comparable precedent transactions and qualitative considerations;
- Assessed the reasonability of the adjusted EBITDA amount determined by management;
- Developed a range of recoverable amounts by multiplying the adjusted EBITDA multiples by the adjusted EBITDA amount; and
- Compared the independently developed range of recoverable amounts to the carrying amount of the Maple product CGU.

#### **Other Information**

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Glossy Annual Report".

Our opinion on the financial statements does not cover the other information and we do not, and will not, express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Glossy Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Aaron Fima.



Montréal, Canada

November 24, 2021

\* CPA auditor, CA, public accountancy permit No. A125211

<i>Consolidated statements of earnings</i>	Fiscal years ended	
	October 2, 2021	October 3, 2020
	\$	\$
Revenues (note 32)	893,931	860,801
Cost of sales	754,187	734,602
Gross margin	139,744	126,199
Administration and selling expenses	36,955	38,940
Distribution expenses	18,292	19,249
	55,247	58,189
Results from operating activities	84,497	68,010
Finance income (note 5)	—	(197)
Finance costs (note 5)	19,439	18,720
Net finance costs	19,439	18,523
Earnings before income taxes	65,058	49,487
Income tax expense (note 6):		
Current	17,333	11,290
Deferred	198	2,778
	17,531	14,068
Net earnings	47,527	35,419
Net earnings per share (note 27):		
Basic	0.46	0.34
Diluted	0.44	0.34

<i>Consolidated statements of comprehensive income</i>	Fiscal years ended	
	October 2, 2021	October 3, 2020
	\$	\$
Net earnings	47,527	35,419
Other comprehensive income (loss):		
Items that are or may be reclassified subsequently to net earnings:		
Cash flow hedges (note 9)	17,973	(3,887)
Income tax on cash flow hedges (note 6)	(4,614)	1,016
Foreign currency translation differences	(1,032)	54
	12,327	(2,817)
Items that will not be reclassified to net earnings:		
Defined benefit actuarial (losses) gains (note 20)	34,219	(5,847)
Income tax on defined benefit actuarial gains (losses) (note 6)	(8,786)	1,502
	25,433	(4,345)
Other comprehensive income (loss)	37,760	(7,162)
Comprehensive income	85,287	28,257

The accompanying notes are an integral part of these consolidated financial statements.

	October 2, 2021	October 3, 2020
	\$	\$
<b>ASSETS</b>		
Current assets:		
Cash	15,643	1,974
Trade and other receivables (note 7)	95,546	94,262
Income taxes receivable	285	2,042
Inventories (note 8)	180,291	180,792
Prepaid expenses	4,570	7,923
Derivative financial instruments (note 9)	5,897	2,616
Total current assets	302,232	289,609
Non-current assets:		
Property, plant and equipment (note 10)	241,713	230,385
Right-of-use assets (note 11)	18,526	20,489
Intangible assets (note 12)	28,034	31,666
Other assets (note 13)	548	745
Derivative financial instruments (note 9)	5,870	158
Goodwill (note 15)	283,007	283,007
Total non-current assets	577,698	566,450
Total assets	879,930	856,059
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Bank overdraft	—	2,797
Revolving credit facility (note 16)	—	29,000
Trade and other payables (note 17)	119,940	131,089
Income taxes payable	3,454	—
Provisions (note 18)	1,394	500
Lease obligations (note 19)	3,049	3,981
Derivative financial instruments (note 9)	2,089	1,458
Total current liabilities	129,926	168,825
Non-current liabilities:		
Revolving credit facility (note 16)	100,000	165,000
Employee benefits (note 20)	29,299	59,212
Provisions (note 18)	2,431	437
Derivative financial instruments (note 9)	546	6,933
Lease obligations (note 19)	15,443	16,423
Convertible unsecured subordinated debentures (note 21)	147,742	145,836
Senior guaranteed notes (note 22)	98,785	—
Deferred tax liabilities (note 14)	36,800	23,202
Total non-current liabilities	431,046	417,043
Total liabilities	560,972	585,868
Shareholders' equity:		
Share capital (note 23)	100,139	99,452
Contributed surplus	300,887	300,794
Equity portion of convertible unsecured subordinated debentures (note 21)	5,085	5,085
Deficit	(106,604)	(116,831)
Accumulated other comprehensive income (loss)	19,451	(18,309)
Total shareholders' equity	318,958	270,191
Commitments (notes 19 and 25)		
Contingencies (note 26)		
Total liabilities and shareholders' equity	879,930	856,059

The accompanying notes are an integral part of these consolidated financial statements.

(In thousands of dollars except number of shares)

	For the fiscal year ended October 2, 2021									
	Number of shares	Common shares	Contributed surplus	Equity portion of convertible debentures	Accumulated unrealized gain (loss) on employee benefit plans	Accumulated cash flow hedge gain	Accumulated foreign currency translation differences	Deficit	Total	
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, October 3, 2020	103,536,923	99,452	300,794	5,085	(12,983)	(6,119)	793	(116,831)	270,191	
Net earnings for the year	—	—	—	—	—	—	—	47,527	47,527	
Dividends (note 23)	—	—	—	—	—	—	—	(37,300)	(37,300)	
Issuance of shares (note 23)	150,000	687	(14)	—	—	—	—	—	673	
Share-based compensation (note 24)	—	—	107	—	—	—	—	—	107	
Cash flow hedges, net of tax (note 9)	—	—	—	—	—	13,359	—	—	13,359	
Defined benefit actuarial gains, net of tax (note 20)	—	—	—	—	25,433	—	—	—	25,433	
Translation of foreign operations	—	—	—	—	—	—	(1,032)	—	(1,032)	
<b>Balance, October 2, 2021</b>	<b>103,686,923</b>	<b>100,139</b>	<b>300,887</b>	<b>5,085</b>	<b>12,450</b>	<b>7,240</b>	<b>(239)</b>	<b>(106,604)</b>	<b>318,958</b>	

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity (continued)  
(In thousands of dollars except number of shares)

	For the fiscal year ended October 3, 2020									
	Number of shares	Common shares	Contributed surplus	Equity portion of convertible debentures	Accumulated unrealized gain (loss) on employee benefit plans	Accumulated cash flow hedge gain	Accumulated foreign currency translation differences	Deficit	Total	
Balance, September 28, 2019	104,885,464	100,522	300,626	5,085	(8,638)	(3,248)	739	(109,654)	285,432	
Net earnings for the year	—	—	—	—	—	—	—	35,419	35,419	
Dividends (note 23)	—	—	—	—	—	—	—	(37,380)	(37,380)	
Purchase and cancellation of shares (note 23)	(1,377,394)	(1,320)	—	—	—	—	—	(5,216)	(6,536)	
Share-based compensation (note 24)	—	—	168	—	—	—	—	—	168	
Conversion of convertible debentures into common shares (notes 21 and 23)	28,853	250	—	—	—	—	—	—	250	
Cash flow hedges, net of tax (note 9)	—	—	—	—	—	(2,871)	—	—	(2,871)	
Defined benefit actuarial losses, net of tax (note 20)	—	—	—	—	(4,345)	—	—	—	(4,345)	
Translation of foreign operations	—	—	—	—	—	—	54	—	54	
Balance, October 3, 2020	103,536,923	99,452	300,794	5,085	(12,983)	(6,119)	793	(116,831)	270,191	

The accompanying notes are an integral part of these consolidated financial statements.

	For the fiscal years ended	
	October 2, 2021	October 3, 2020
	\$	\$
Cash flows from operating activities:		
Net earnings	47,527	35,419
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets (note 4)	21,381	19,656
Amortization of intangible assets (note 4)	3,830	3,822
Changes in fair value of derivative financial instruments included in cost of sales	2,752	(2,413)
Income tax expense (note 6)	17,531	14,068
Pension contributions	(10,155)	(9,636)
Pension expense	14,462	11,191
Net finance costs (note 5)	19,439	18,523
Gain on disposal of property, plant and equipment (note 10)	(86)	(82)
Share-based compensation - equity settled (note 24)	107	168
Share-based compensation - cash settled (note 24)	21	26
Other	—	1
	<b>116,809</b>	<b>90,743</b>
Changes in:		
Trade and other receivables	(1,359)	(9,381)
Inventories	223	1,604
Prepaid expenses	3,353	(3,761)
Trade and other payables	(13,354)	13,496
Provisions (note 18)	(343)	(860)
	<b>(11,480)</b>	<b>1,098</b>
Cash generated from operating activities:	<b>105,329</b>	<b>91,841</b>
Interest paid	(14,629)	(15,900)
Income taxes paid	(12,123)	(11,340)
Net cash flows from operating activities	<b>78,577</b>	<b>64,601</b>
Cash flows used in financing activities:		
Dividends paid	(37,287)	(37,501)
Increase (decrease) in bank overdraft	(2,797)	(5,528)
Increase (decrease) in revolving credit facility (note 16)	(94,000)	17,000
Payment of lease obligations (note 19)	(5,487)	(4,205)
Net proceeds from senior guaranteed notes (note 22)	98,740	—
Issuance of shares (note 23)	673	—
Purchase and cancellation of shares (note 23)	—	(6,536)
Payment of financing fees	—	(16)
Net cash flows used in financing activities	<b>(40,158)</b>	<b>(36,786)</b>
Cash flows used in investing activities:		
Additions to property, plant and equipment, net of proceeds on disposal	(24,320)	(26,128)
Additions to intangible assets (note 12)	(358)	(25)
Net cash used in investing activities	<b>(24,678)</b>	<b>(26,153)</b>
Effect of changes in exchange rate on cash	(72)	28
Net increase in cash	<b>13,669</b>	<b>1,690</b>
Cash, beginning of year	<b>1,974</b>	<b>284</b>
Cash, end of year	<b>15,643</b>	<b>1,974</b>

Supplemental cash flow information (note 28).

The accompanying notes are an integral part of these consolidated financial statements.



## 1. REPORTING ENTITY

Rogers Sugar Inc. ("Rogers" or the "Company") is a company domiciled in Canada, incorporated under the Canada Business Corporations Act. The head office of Rogers is located at 123 Rogers Street, Vancouver, British Columbia, V6B 3V2. The consolidated financial statements of Rogers as at October 2, 2021 and October 3, 2020 comprise Rogers and the directly and indirectly controlled subsidiaries, Lantic Inc. ("Lantic") and The Maple Treat Corporation ("TMTC"), (together referred to as the "Company"). The principal business activities of the Company are the refining, packaging and marketing of sugar and maple products.

The Company's fiscal year ends on the Saturday closest to the end of September. All references to 2021 and 2020 represent the years ended October 2, 2021 and October 3, 2020.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Directors on November 24, 2021.

### (b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statements of financial position:

- (i) derivative financial instruments are measured at fair value,
- (ii) equity-settled share-based compensation, cash-settled share appreciation rights and cash-settled performance share units are measured at fair value,
- (iii) the defined benefit liability is recognized as the net total of the present value of the defined benefit obligation less the total of the fair value of the plan assets and the unrecognized past service costs
- (iv) assets acquired and liabilities assumed in business combinations are measured at fair value at acquisition date, less any subsequent impairment, if applicable; and
- (v) lease obligations which are measured at the present value of minimum lease liabilities in accordance with IFRS 16 *Leases*.

### (c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, since it is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousands, except as noted and per share amounts.

### (d) Use of estimates and judgements:

The preparation of these consolidated financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions about future events that affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting years.

The novel coronavirus disease ("COVID-19") did not have a significant impact on estimates and judgements.

## 2. BASIS OF MEASUREMENT (CONTINUED)

### (d) Use of estimates and judgements (continued):

The following is a summary of areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements:

(i) Goodwill and unamortizable intangibles impairment:

The Company makes a number of estimates when calculating the recoverable amount of a cash-generating unit containing goodwill and unamortizable intangibles using discounted future cash flows or other valuation methods.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation:

(i) Subsidiaries:

The consolidated financial statements include Rogers and the subsidiary it controls, Lantic and its subsidiaries, TMTC and Highland Sugarworks Inc. (the latter two companies together referred to as "TMTC").

Control exists where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Company.

The Company owns 100% of the common shares of Lantic. Lantic Capital Inc., a wholly-owned subsidiary of Belcorp Industries Inc., owns the two outstanding Class C shares of Lantic. These Class C shares are non-voting, have no rights to return or risk of loss and are redeemable for a nominal value of one dollar each. The Class C shares entitle the holder to elect five of the seven directors of Lantic but have no other voting rights at any meetings of Lantic's shareholders except as may be required by law.

Notwithstanding Lantic Capital Inc.'s ability to elect five of the seven directors of Lantic, Lantic Capital Inc. receives no benefits or exposure to losses from its ownership of the Class C shares. As the Class C shares are non-dividend paying and redeemable for a nominal value of one dollar, there is no participation in future dividends or changes in value of Lantic resulting from the ownership of the Class C shares. There is also no management fee or other form of consideration attributable to the Class C shares. The determination of control involves judgement. Based on all the facts and available information, management has concluded that Rogers has control of Lantic.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Foreign currency transactions:

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate in effect at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the rate prevailing at the date that the fair value was determined. Foreign denominated non-monetary assets and liabilities that are measured at the historical costs are translated at the rate prevailing at the transaction date. Revenues and expenses denominated in foreign currencies are translated into the functional currency at the rate in effect on the dates they occur. Gains or losses resulting from these translations are recorded in net earnings of the period.

#### (c) Foreign operations:

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on business combinations, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at the average exchange rate in effect during the reporting period.

Foreign currency differences are recognized in other comprehensive income (loss) in the accumulated foreign currency translation differences account. When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Company disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to income or loss.

#### (d) Cash:

Cash includes cash on hand, bank balances and bank overdraft when the latter forms an integral part of the Company's cash management.

#### (e) Inventories:

Inventories are valued at the lower of cost and net realizable value. The cost of inventories is determined on a first-in, first-out basis and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Property, plant and equipment:

Property, plant and equipment, with the exception of land, are recorded at cost less accumulated depreciation and any accumulated impairment losses. Land is carried at cost and is not depreciated.

Cost includes expenditures that are directly attributable to the acquisition of the asset less any government grants received for capital expenditures. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Construction-in-progress assets are capitalized during construction and depreciation commences when the asset is available for use.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized in cost of sales for assets used in production and in administration and selling expenses for all other assets.

Depreciation related to assets used in production is recorded in cost of sales while the depreciation of all other assets is recorded in administration and selling expenses. Depreciation is calculated on a straight-line basis, after taking into account residual values, over the estimated useful lives of each component of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Significant components of individual assets are assessed and, if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

The estimated useful lives are as follows:

Barrels	6 years
Buildings	20 to 60 years
Furniture and fixtures	3 to 10 years
Machinery and equipment	5 to 40 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and depreciation is adjusted on a prospective basis, if necessary.

#### (g) Intangible assets:

##### (i) Goodwill:

Goodwill is measured at the acquisition date as the fair value of the consideration transferred less the fair value of the net identifiable assets of the acquired company or business activities. Goodwill is not amortized and is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(g) Intangible assets (continued):****(ii) Other intangible assets:**

Intangible assets that are acquired by the Company and have finite useful lives are initially measured at cost. Following initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred. Amortization is calculated over the cost of the asset, less its residual value.

Amortization is recognized in administrative expenses on a straight-line basis over the estimated useful lives of the intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortization of intangible assets not in service begins when they are ready for their intended use.

The estimated useful lives are as follows:

Software	5 to 15 years
Customer relationships	10 years
Other	10 years

Brand names are not amortized as they are considered to have an indefinite life.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

For intangible assets with finite life, useful lives and residual values are reviewed at each financial year-end and amortization is adjusted on a prospective basis, if necessary.

**(h) Leases:**

The Company recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the leased asset is available for use by the Company. The lease payments include fixed and in-substance fixed payments and variable lease payments that depend on an index or rate, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate. The Company uses their incremental borrowing rate for its present value calculations. Lease payments are discounted over the lease term, which includes the fixed term and renewal options that the Company is reasonably certain to exercise. Lease payments are allocated between the lease liability and a finance cost, which is recognized in finance costs over the lease term in the consolidated statement of earnings.

Lease payments for assets that are exempt through the short-term exemption and variable payments not based on an index or rate are recognized in administration and selling expenses or distribution expenses as incurred.

Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any re-measurement of lease liabilities. Cost is calculated as the initial measurement of the lease liability plus any initial direct costs and any lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Impairment:

Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives, the recoverable amount is estimated yearly at the same time, at year-end, and whenever there is an indication that the asset might be impaired.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

The Company's corporate assets do not generate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets in the CGU.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or group of assets.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (j) Employee benefits:

##### (i) Pension benefit plans:

The Company provides post-employment benefits through defined benefit and defined contribution plans. The Company also sponsors Supplemental Executive Retirement Plans ("SERP"), which are neither registered nor pre-funded. Finally, the Company sponsors defined benefit life insurance, disability plans and medical benefits for some retirees and employees.

##### *Defined contribution plans*

The Company's obligations for contributions to employee defined contribution pension plans are recognized as employee benefit expense in profit or loss in the years during which services are rendered by employees.

##### *Defined benefit plans*

The Company maintains some contributory defined benefit plans that provide for pensions to employees based on years of service and the employee's compensation. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior years, discounting that amount and deducting the fair value of any plan assets. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Employee benefits (continued):

- (i) Pension benefit plans (continued):

*Defined benefit plans (continued)*

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income (loss). The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. Costs related to plan settlements are recorded at the time the Company is committed to a settlement as a separate constructive obligation. Subsequent to the Company being committed to a settlement, the plan liability is measured at the expected settlement amount using settlement interest rates.

- (ii) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under cash incentive if the Company has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

- (iii) Share-based compensation:

The Company has a Share Option Plan. Share-based payment awards are measured at fair value at the grant date, which is recognized as a personnel expense, with a corresponding increase in contributed surplus over the vesting period, which is normally five years. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met. Any consideration paid by employees on exercise of share options is credited to share capital.

- (iv) Employee share purchase plan:

The Company has an Employee Share Purchase Plan that is an equity-settled share-based payment with employees; the measurement is based on the grant-date fair value of the equity instrument granted. As such, the expense is recognized when the employee purchases the shares.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Employee benefits (continued):

##### (v) Cash-settled Performance Share Units:

The Company has a Performance Share Units plan ("PSU") entitling certain senior personnel to a cash payment. A liability is recognized in payables for the services acquired and is recorded at fair value based on the share price of the Company's Common Shares with a corresponding expense recognized in administration and selling expenses. The amount recognized as an expense is adjusted to reflect the number of units for which the related service and performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the units of awards that do meet the related service and non-market performance conditions at the vesting date.

At the end of each reporting period until the liability is settled, the fair value of the liability is re-measured, with any changes in fair value recognized in the consolidated statement of earnings. The fair value of the employee benefits expense of the PSUs is measured using the Monte Carlo pricing model.

##### (vi) Termination benefits:

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be fully settled within 12 months of the end of the reporting period, they are discounted.

#### (k) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

##### (i) Asset retirement obligation:

The Company recognizes the estimated liability for future costs to be incurred in the remediation of site restoration in regards to asbestos removal and disposal of such asbestos to a landfill for hazardous waste, and for oil, chemical and other hazardous materials, only when a present legal or constructive obligation has been determined and that such obligation can be estimated reliably. Upon initial recognition of the obligation, the corresponding costs are added to the carrying amount of the related items of property, plant and equipment and amortized as an expense over the economic life of the asset, or earlier if a specific plan of removal exists. This obligation is reduced every year by payments incurred during the year in relation to these items. The obligation might be increased by any required remediation to the owned assets that would be required through enacted legislation.

##### (ii) Contingent liability:

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Company, or a present obligation that arises from past events (and therefore exists), but is not recognized because it is not probable that a transfer or use of assets, provision of services, or any other transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be estimated reliably.



3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Financial instruments:

(i) IFRS 9, *Financial Instruments*:

The following summarizes the classification and measurement for the Company's non-derivative and derivative financial assets and financial liabilities.

**Financial assets:**

Cash	Amortized cost
Trade and other receivables	Amortized cost
Income taxes recoverable	Amortized cost
Non-hedged derivative assets	Fair value through profit or loss

**Financial liabilities:**

Bank overdraft	Amortized cost
Revolving credit facility	Amortized cost
Trade and other payables	Amortized cost
Income taxes payable	Amortized cost
Senior guaranteed notes	Amortized cost
Convertible unsecured subordinated debentures	Amortized cost
Non-hedged derivative liabilities	Fair value through profit or loss

The Company's natural gas futures and interest rate swap agreements were designated as being effective hedging instruments.

The Company initially recognizes financial instruments on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value. In the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability are added to or deducted from the fair value.

(ii) Financial assets:

Financial assets are classified into the following categories:

a. Financial assets measured at amortized cost:

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objectives is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principals and/or interest.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (I) Financial instruments (continued):

##### (ii) Financial assets (continued):

- The Company currently classifies its cash, trade accounts receivable, and income tax receivables as assets measured at amortized cost. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.
- The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost.
- The Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.
- An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income or loss and reflected in an allowance account against trade and other receivables.

##### b. Financial assets measured at fair value:

These assets are measured at fair value and changes therein, including any interest are recognized in profit or loss. The Company currently has no significant financial assets measured at fair value, except for non-hedged derivative assets.

##### (iii) Financial liabilities:

Financial liabilities are classified into the following categories:

##### a. Financial liabilities measured at amortized cost:

A financial liability is subsequently measured at amortized cost, using the effective interest method. The Company currently classifies and measures bank overdraft and revolving credit facility, trade and other payables, income tax payables, senior guaranteed notes, and convertible unsecured subordinated debentures as financial liabilities measured at amortized cost.

##### b. Financial liabilities measured at fair value:

Financial liabilities at fair value are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in net earnings. The Company currently has no significant financial liabilities measured at fair value except for non-hedged derivative liabilities.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (I) Financial instruments (continued):

(iv) Fair values of financial instruments:

Financial assets and liabilities measured at fair value use a fair value hierarchy to prioritize the inputs used in measuring fair value as follows:

Level 1 – valuation based on observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and

Level 3 – valuation techniques with observable market inputs (involves assumptions and estimates by management of how market participants would price the asset or liability).

a. Cash:

The Company classifies its cash as amortized cost assets. Cash includes cash on hand, bank balances and bank overdraft when the latter forms an integral part of the Company's cash management.

b. Derivative financial instruments and hedging relationships:

The Company enters into derivative financial instruments to hedge its market risk exposures. On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items throughout the period for which the hedge is designated. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net earnings.

c. Other derivatives:

When a derivative financial instrument, for example, sugar futures and at times options ("sugar contracts"), foreign exchange forward contracts and embedded derivatives is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in net earnings (marked-to-market).

d. Compound financial instruments:

The Company's convertible unsecured subordinated debentures are accounted for as compound financial instruments. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Interest, dividends, gains and losses relating to the financial liability are recognized in profit or loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (l) Financial instruments (continued):

(iv) Fair values of financial instruments (continued):

e. Financing charges:

Financing charges, which reflect the cost to obtain new financing, are offset against the debt for which they were incurred and recognized in finance costs using the effective interest method. Financing charges for the revolving credit facility are recorded with other assets.

f. Trade date:

The Company recognizes and derecognizes purchases and sales of derivative contracts on the trade date.

g. Share capital:

##### *Common shares*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Dividends to the equity holders are recorded in equity.

##### *Repurchase of share capital*

When share capital recognized as equity is repurchased for cancellation, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. The excess of the purchase price over the carrying amount of the shares is charged to deficit.

(v) Cash flow hedges:

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect net earnings, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in accumulated other comprehensive income as part of equity.

The amount recognized in other comprehensive income is removed and included in net earnings under the same line item in the consolidated statements of earnings and comprehensive income as the hedged item, in the same period that the hedged cash flows affect net earnings.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income remains in accumulated other comprehensive income (loss) until the forecasted transaction affects profit or loss.

If the forecasted transaction is no longer expected to occur, then the balance in accumulated other comprehensive income (loss) is recognized immediately in net earnings.

When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred to net earnings in the same period that the hedged item affects net earnings.

The Company has designated as hedging items its natural gas futures and its interest rate swap agreements entered into in order to protect itself against natural gas price and interest rate fluctuations as cash flow hedges.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(m) Revenue recognition:**

The Company derives revenue from the sale of finished goods, which include sugar and maple products. The Company recognizes revenue when all performance obligations have been met which is generally at a point in time when it transfers control of the finished goods to a customer, which occurs upon shipment of the finished goods from the Company's facilities or upon delivery of the finished goods to the customer's premises. Some arrangements for the sale of finished goods provide for customer price discounts and/or volume rebates based on aggregate sales over a specified period, which gives rise to variable consideration. At the time of sale, estimates are made for items giving rise to variable consideration based on the terms of the sales program or arrangement.

The estimate is based on historical experience, current trends, and other known factors. Sales are recorded net of customer discounts, rebates, and exclude sales taxes.

**(n) Finance income and finance costs:**

Finance income comprises interest income on funds invested and finance costs comprise interest expense on borrowings. Changes in the fair value of interest rate swaps are recorded initially in other comprehensive income since inception of the cash flow hedge and transferred to finance income and finance costs in the same period that the hedged cash flows affect net earnings. Interest expense is recorded using the effective interest method.

**(o) Income taxes:**

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred taxes are not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. In addition, the effect on deferred tax assets or liabilities of a change in tax rates is recognized in profit or loss in the period in which the enactment or substantive enactment takes place, except to the extent that it relates to an item recognized either in other comprehensive income (loss) or directly in equity in the current or in a previous period. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(p) Earnings per share:**

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares from the conversion of the convertible debentures.

**(q) New standards and interpretations adopted:**

Amendments to References to the Conceptual Framework in IFRS Standards:

On March 29, 2018 the IASB issued a revised version of its *Conceptual Framework for Financial Reporting* (the Framework), that underpins IFRS Standards. The IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards* (the Amendments) to update references in IFRS Standards to previous versions of the Conceptual Framework.

The Company adopted the Amendments in its consolidated interim financial statements for the annual period beginning on October 4, 2020. The adoption of the amendments did not have an impact on the consolidated financial statements.

**(r) New standards and interpretations not yet adopted:**

A number of new standards and amendments to standards and interpretations are not yet effective for the year ending October 2, 2021 and have not been applied in preparing these consolidated financial statements. New standards and amendments to standards and interpretations that are currently under review include:

- Annual Improvements to IFRS Standards 2018-2020
- Onerous Contracts – Cost of fulfilling a contract (Amendments to IAS 37)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)

The Company does not intend to adopt the Amendments in its consolidated financial statements before the annual period beginning on October 3, 2021. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

#### 4. DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization expenses were charged to the consolidated statements of earnings and comprehensive income (loss) as follows:

	For the fiscal years ended	
	October 2, 2021	October 3, 2020
	\$	\$
Depreciation of property, plant and equipment:		
Cost of sales	16,144	15,677
Administration and selling expenses	555	545
	16,699	16,222
Depreciation of right-of-use assets:		
Cost of sales	2,849	2,324
Administration and selling expenses	1,833	1,110
	4,682	3,434
Amortization of intangible assets:		
Administration and selling expenses	3,830	3,822
Total depreciation and amortization expenses	25,211	23,478

#### 5. FINANCE INCOME AND FINANCE COSTS

Recognized in net earnings:

	For the fiscal years ended	
	October 2, 2021	October 3, 2020
	\$	\$
Net change in fair value of interest rate swaps (note 9)	—	197
Finance income	—	197
Interest expense on convertible unsecured subordinated debentures, including accretion of \$917 (2020 - \$868) (note 21)	8,423	8,446
Interest on revolving credit facility	5,843	6,723
Interest on senior guaranteed notes, including accretion of \$45	1,527	—
Amortization of deferred financing fees	1,187	1,187
Other interest expense	1,150	1,500
Interest accretion on discounted lease obligations	858	864
Net change in fair value of interest rate swap (note 9)	451	—
Finance costs	19,439	18,720
Net finance costs recognized in net earnings	19,439	18,523

## 6. INCOME TAX EXPENSE (RECOVERY)

	For the fiscal years ended	
	October 2, 2021	October 3, 2020
	\$	\$
Current tax expense:		
Current period	17,931	11,290
Adjustments for prior year periods	(598)	—
Current tax expense	17,333	11,290
Deferred tax expense (recovery):		
Recognition and reversal of temporary differences	(368)	2,394
Adjustments for prior year periods	566	384
Deferred tax expense (recovery)	198	2,778
Total income tax expense	17,531	14,068

Income tax recognized in other comprehensive income (loss):

	For the fiscal years ended					
	October 2, 2021			October 3, 2020		
	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax
	\$	\$	\$	\$	\$	\$
Cash flow hedges	17,973	(4,614)	13,359	(3,887)	1,016	(2,871)
Defined benefit actuarial losses	34,219	(8,786)	25,433	(5,847)	1,502	(4,345)

Reconciliation of effective tax rate:

The provision for income taxes differs from the amount computed by applying the Canadian federal and provincial tax rates to earnings before provision for income taxes. The reasons for the difference and the related tax effects are as follows:

	For the fiscal years ended			
	October 2, 2021		October 3, 2020	
	%	\$	%	\$
Earnings before income taxes	—	65,058	—	49,487
Income taxes using the Company's statutory tax rate	27.00	17,566	27.00	13,362
Changes due to the following items:				
Effect of differences in tax rates in other jurisdiction	0.15	94	0.29	145
Non-deductible expenses (income)	(0.15)	(97)	0.36	177
Adjustments for prior year periods	(0.05)	(32)	0.78	384
Other	—	—	—	—
	26.95	17,531	28.43	14,068



## 7. TRADE AND OTHER RECEIVABLES

	October 2, 2021	October 3, 2020
	\$	\$
Trade receivables	80,430	82,191
Less expected credit loss	(536)	(662)
	<b>79,894</b>	81,539
Other receivables	13,493	11,866
Initial margin deposits with commodity brokers	2,159	867
	<b>95,546</b>	94,262

The Company grants credit to its customers in the ordinary course of business.

Management believes that the Company's exposure to credit risk and impairment losses related to trade and other receivables is limited due to the following reasons:

- There is a broad base of customers with dispersion across different market segments.
- Bad debt write-offs to total revenue have been less than 0.1% for each of the last five years (averaging less than \$0.2 million per year). Write-offs for fiscal 2021 were \$0.2 million (October 3, 2020 - \$0.2 million). All bad debt write-offs are charged to administration and selling expenses.
- Less than 1% of trade receivables are outstanding for more than 90 days (October 3, 2020 - less than 1%), while over 80% are current (less than 30 days) as at October 2, 2021 (October 3, 2020 - 84%).

Through general security agreements with its lenders, trade and other receivables have been granted as continuing collateral security for all present and future indebtedness to the current lenders.

## 8. INVENTORIES

	October 2, 2021	October 3, 2020
	\$	\$
Raw inventory	99,323	104,852
Work in progress	8,435	10,378
Finished goods	42,787	37,975
	<b>150,545</b>	153,205
Packaging and operating supplies	14,986	13,453
Spare parts and other	14,760	14,134
	<b>180,291</b>	180,792

Costs of sales expensed during the year were all inventorial items, except for fixed costs incurred in Taber, Alberta, after the beet slicing campaign, and mark-to-market adjustments of derivative financial instruments.

As at October 2, 2021, inventories recognized as cost of goods sold amounted to \$773.1 million (October 3, 2020 - \$734.7 million).

## 9. FINANCIAL INSTRUMENTS

### *Derivative financial instruments*

The Company uses derivative financial instruments to manage its exposure to changes in raw sugar, foreign exchange, and natural gas prices. In addition, the Company entered into interest rate swap contracts to fix a portion of the Company's exposure to floating interest rate debt on its short-term borrowings. The Company's objective for holding derivatives is to minimize risk using the most efficient methods to eliminate or reduce the impacts of these exposures.

Fair value estimates are made as of a specific point in time, using available information about the financial instruments. These estimates are subjective in nature and may not be determined with precision.

The fair value of derivative instruments is the estimated amount that the Company would receive or pay to terminate the instruments at the reporting date. The fair values have been determined by reference to prices available from the markets on which the instruments trade, subject to credit adjustments as applicable. The fair values of the sugar future contracts and options are measured using Level 1 inputs, using published quoted values for these commodities. The fair values for the natural gas futures contracts, foreign exchange forward contracts and interest rate swap contracts are measured using Level 2 inputs. The fair values for these derivative assets or liabilities are estimated using industry standard valuation models.

Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, natural gas prices, foreign exchange rates, and forward and spot prices for currencies.

The fair values of all derivative instruments approximate their carrying value and are recorded as separate line items on the consolidated statements of financial position.

The Company's natural gas futures and interest rate swap agreements were designated as cash flow hedges and qualified for hedge accounting.

Details of recorded gains (losses) for the year, in marking-to-market all derivative financial instruments and embedded derivatives that are outstanding at year-end, are noted below. For sugar futures contracts (derivative financial instruments), the amounts noted below are netted with the variation margins paid or received to/from brokers at the end of the reporting period. The fair values of the interest rate swaps have been determined by using rates published on financial capital markets.

9. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

As at October 2, 2021 and October 3, 2020, the Company's financial derivatives carrying values were as follows:

	Current	Financial Assets Non-current October 2, 2021	Current	Financial Liabilities Non-current October 2, 2021
	\$	\$	\$	\$
<b>Derivative financial instruments measured at fair value through profit or loss:</b>				
Sugar futures contracts	—	120	142	—
Foreign exchange forward contracts	18	127	213	—
Interest rate swap	—	—	455	16
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>				
Natural gas futures contracts	5,879	5,623	—	—
Interest rate swaps	—	—	1,279	530
	<b>5,897</b>	<b>5,870</b>	<b>2,089</b>	<b>546</b>

	Current	Financial Assets Non-current October 3, 2020	Current	Financial Liabilities Non-current October 3, 2020
	\$	\$	\$	\$
<b>Derivative financial instruments measured at fair value through profit or loss:</b>				
Sugar futures contracts	8	95	—	—
Foreign exchange forward contracts	2,521	63	—	—
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>				
Natural gas futures contracts	87	—	—	1,662
Interest rate swaps	—	—	1,458	5,271
	<b>2,616</b>	<b>158</b>	<b>1,458</b>	<b>6,933</b>

## 9. FINANCIAL INSTRUMENTS (CONTINUED)

## Derivative financial instruments (continued)

	For the fiscal years ended					
	Charged to cost of sales Unrealized gain (loss)		Charged to finance income (costs)		Other comprehensive gain (loss)	
	October 2, 2021	October 3, 2020	October 2, 2021	October 3, 2020	October 2, 2021	October 3, 2020
	\$	\$	\$	\$	\$	\$
<b>Derivative financial instruments measured at fair value through profit or loss:</b>						
Sugar futures contracts	3,431	(801)	—	—	—	—
Foreign exchange forward contracts	4,639	2,615	—	—	—	—
Interest rate swap	—	—	(451)	—	—	—
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>						
Natural gas futures contracts	—	95	—	—	13,077	1,886
Interest rate swap	—	—	—	197	4,896	(5,773)
	<b>8,070</b>	1,909	<b>(451)</b>	197	<b>17,973</b>	(3,887)

The following table summarizes the Company's hedging components of accumulated other comprehensive income (loss) ("AOCI") as at October 2, 2021 and October 3, 2020:

	October 2, 2021			October 3, 2020		
	Natural gas futures contracts	Interest rate swap	Total	Natural gas futures contracts	Interest rate swap	Total
	\$	\$	\$	\$	\$	\$
Opening AOCI	(865)	(7,513)	(8,378)	(2,751)	(1,740)	(4,491)
Income taxes	(289)	2,548	2,259	204	1,039	1,243
Opening AOCI - net of income taxes	(1,154)	(4,965)	(6,119)	(2,547)	(701)	(3,248)
Change in fair value of derivatives designated as cash flow hedges	13,077	5,709	18,786	1,981	(5,576)	(3,595)
Amounts reclassified to net earnings	—	(813)	(813)	(95)	(197)	(292)
Income taxes	(3,357)	(1,257)	(4,614)	(493)	1,509	1,016
Ending AOCI - net of income taxes	<b>8,566</b>	<b>(1,326)</b>	<b>7,240</b>	<b>(1,154)</b>	<b>(4,965)</b>	<b>(6,119)</b>

For the fiscal year ended October 2, 2021, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net earnings, except for \$60.0 million of interest rate swap agreements that became ineffective following the issuance of senior guaranteed notes and hedging is no longer expected to be effective in the future. This caused \$0.8 million to be derecognized from OCI and the recognition of \$0.5 million of expense in finance costs.

Approximately \$3.1 million of net gains presented in accumulated other comprehensive income (loss) are expected to be reclassified to net earnings within the next twelve months.

9. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

(a) Raw sugar:

The Company's risk management policy is to manage the forward pricing of purchases of raw sugar in relation to its forward refined sugar sales to reduce price risk. The Company attempts to meet this objective by entering into futures contracts to reduce its exposure. Such financial instruments are used to manage the Company's exposure to variability in fair value attributable to the committed purchase price of raw sugar. The pricing mechanisms of futures contracts and the respective forecasted raw sugar purchase transactions are the same.

The Company's raw sugar futures contracts as well as the fair value of these contracts relating to purchases or sales of raw sugar as at October 2, 2021 and October 3, 2020 are as follows:

	October 2, 2021			October 3, 2020		
	Original futures contracts value	Current contract value	Fair value gain/(loss)	Original futures contracts value	Current contract value	Fair value gain/(loss)
	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)
<b>Purchases</b>						
0 - 6 months	39,818	45,743	5,925	33,496	35,997	2,501
6 - 12 months	45,366	55,641	10,275	66,611	72,132	5,521
12 - 24 months	12,070	15,045	2,975	16,737	16,611	(126)
Over 24 months	274	307	33	2,022	2,013	(9)
	<b>97,528</b>	<b>116,736</b>	<b>19,208</b>	<b>118,866</b>	<b>126,753</b>	<b>7,887</b>
<b>Sales</b>						
0 - 6 months	(54,855)	(58,078)	(3,223)	(31,580)	(35,573)	(3,993)
6 - 12 months	(34,004)	(45,369)	(11,365)	(69,148)	(74,749)	(5,601)
12 - 24 months	(312)	(350)	(38)	(20,594)	(20,315)	279
Over 24 months	(79)	(89)	(10)	—	—	—
	<b>(89,250)</b>	<b>(103,886)</b>	<b>(14,636)</b>	<b>(121,322)</b>	<b>(130,637)</b>	<b>(9,315)</b>
Net position	<b>8,278</b>	<b>12,850</b>	<b>4,572</b>	<b>(2,456)</b>	<b>(3,884)</b>	<b>(1,428)</b>
Foreign exchange rate at the end of the period			<b>1.2635</b>			1.3304
Net value (CA\$)			<b>5,776</b>			(1,900)
Margin call (receipt) payment at year-end			<b>(5,798)</b>			2,003
Net asset (liability) (CA\$)			<b>(22)</b>			103

## 9. FINANCIAL INSTRUMENTS (CONTINUED)

### Derivative financial instruments (continued)

#### (a) Raw sugar (continued):

All sugar futures contracts are traded through a large exchange clearing house on the New York Intercontinental Exchange. Regulation of the U.S. futures industry is primarily self-regulation, with the role of the Federal Commodity Futures Trading Commission being principally an oversight role to determine that self-regulation is continuous and effective.

The exchange clearing house used is one of the world's largest capitalized financial institutions with excellent long-term credit ratings. Daily cash settlements are mandatory (margin calls) for resulting gains and/or losses from futures trading for each customer's account. Due to the above, the Company does not anticipate a credit risk from the raw sugar futures derivative instruments.

#### (b) Natural gas:

The Company uses natural gas contracts to help manage its costs of natural gas. The Company monitors its positions and the credit ratings of its counterparties and does not anticipate losses due to counterparty's non-performance. The Company's natural gas contracts as well as the fair value of these contracts relating to purchases of natural gas are as follows:

	October 2, 2021			October 3, 2020		
	Original futures contracts value (US\$)	Current contract value (US\$)	Fair value gain/(loss) (US\$)	Original futures contracts value (US\$)	Current contract value (US\$)	Fair value gain/(loss) (US\$)
<b>Purchases</b>						
Less than 1 year	4,475	9,128	4,653	5,106	5,171	65
1 to 2 years	5,200	7,371	2,171	6,413	6,144	(269)
2 to 3 years	4,770	5,761	991	6,384	5,960	(424)
3 years and over	7,776	9,064	1,288	12,546	11,990	(556)
	<b>22,221</b>	<b>31,324</b>	<b>9,103</b>	<b>30,449</b>	<b>29,265</b>	<b>(1,184)</b>
Foreign exchange rate at the end of the period			<b>1.2635</b>			1.3304
Net asset (liability) (CA\$)			<b>11,502</b>			(1,575)

The forecasted purchases of natural gas, the hedged items, are used for calculating the hedge ineffectiveness. No ineffectiveness was recognized in net earnings as the change in value of the hedging instrument for calculating ineffectiveness was the same or smaller as the change in value of the hedged items used for calculating the ineffectiveness.

## 9. FINANCIAL INSTRUMENTS (CONTINUED)

### *Derivative financial instruments (continued)*

#### **(c) Foreign exchange contracts:**

The Company's activities, which result in exposure to fluctuations in foreign currency exchange rates, consist of the purchasing of raw sugar, the selling of refined sugar and maple products, the purchase of natural gas and purchases of property, plant and equipment. The Company manages this exposure by creating offsetting positions through the use of financial instruments. These instruments include forward contracts, which are commitments to buy or sell U.S. dollars, Euros or Australian dollars at a future date, and may be settled in cash.

The credit risk associated with foreign exchange contracts arises from the possibility that a counterparty to a foreign exchange contract, in which the Company has an unrealized gain, fails to perform according to the terms of the contract. The credit risk is much less than the notional principal amount, being limited at any time to the change in foreign exchange rates attributable to the principal amount.

Forward foreign exchange contracts have maturities of less than four years and relate mostly to U.S. currency, and from time to time, Euro and Australian dollar currencies. The counterparties to these contracts are major Canadian financial institutions. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterparties.

The Company's foreign currency forward contracts relating to the purchase of raw sugar, the sale of refined sugar, the purchase of natural gas and purchases of property, plant and equipment for the sugar segment are detailed below. In addition, for the maple products segment, the Company hedges its exposure to fluctuations in foreign currency related to its anticipated cash flows from sales to specific U.S. customers, using a foreign exchange forward contract.

## 9. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

## (c) Foreign exchange contracts (continued):

				October 2, 2021
	Original contract value	Original contract value	Current contract value	Fair value gain/(loss)
	(US\$/EUR/AUD\$)	(CA\$)	(CA\$)	(CA\$)
<b>SUGAR</b>				
<b>Purchases U.S. dollars</b>				
Less than 1 year	64,080	81,497	80,974	(523)
1 to 2 years	10,074	12,811	12,770	(41)
2 to 3 years	1,345	1,706	1,713	7
	75,499	96,014	95,457	(557)
<b>Sales U.S. dollars</b>				
Less than 1 year	(106,467)	(134,916)	(134,569)	347
1 to 2 years	(8,033)	(10,323)	(10,177)	146
2 to 3 years	(719)	(923)	(916)	7
	(115,219)	(146,162)	(145,662)	500
<b>Total U.S. dollars - Sugar</b>	<b>(39,720)</b>	<b>(50,148)</b>	<b>(50,205)</b>	<b>(57)</b>
<b>SUGAR</b>				
<b>Purchases EUR</b>				
Less than 1 year	357	560	523	(37)
<b>Total EUR - Sugar</b>	<b>357</b>	<b>560</b>	<b>523</b>	<b>(37)</b>
<b>MAPLE PRODUCTS</b>				
<b>Purchases U.S. dollars</b>				
Less than 1 year	1,300	1,656	1,643	(13)
<b>Sales U.S. dollars</b>				
Less than 1 year	(26,380)	(33,177)	(33,351)	(174)
1 to 2 years	(547)	(701)	(693)	8
2 to 3 years	—	—	—	—
	(26,927)	(33,878)	(34,044)	(166)
<b>Total U.S. dollars - Maple</b>	<b>(25,627)</b>	<b>(32,222)</b>	<b>(32,401)</b>	<b>(179)</b>
<b>MAPLE PRODUCTS</b>				
<b>Sales EUR</b>				
Less than 1 year	(1,188)	(1,772)	(1,742)	30
<b>Total EUR - Maple</b>	<b>(1,188)</b>	<b>(1,772)</b>	<b>(1,742)</b>	<b>30</b>
<b>MAPLE PRODUCTS</b>				
<b>Sales AUD</b>				
Less than 1 year	(5,241)	(4,987)	(4,811)	176
<b>Total AUD - Maple</b>	<b>(5,241)</b>	<b>(4,987)</b>	<b>(4,811)</b>	<b>176</b>
<b>Total Foreign Exchange</b>	<b>(71,419)</b>	<b>(88,569)</b>	<b>(88,636)</b>	<b>(67)</b>



9. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

(c) Foreign exchange contracts (continued):

	Original contract value	Original contract value	Current contract value	October 3, 2020 Fair value gain/(loss)
	(US\$/EUR/AUD\$)	(CA\$)	(CA\$)	(CA\$)
<b>SUGAR</b>				
<b>Purchases U.S. dollars</b>				
Less than 1 year	68,395	81,032	70,145	(10,887)
1 to 2 years	5,232	5,791	5,758	(33)
2 to 3 years	400	540	550	10
	74,027	87,363	76,453	(10,910)
<b>Sales U.S. dollars</b>				
Less than 1 year	(121,608)	(152,480)	(140,947)	11,533
1 to 2 years	(17,093)	(21,621)	(21,550)	71
2 to 3 years	(3,513)	(4,706)	(4,706)	—
3 years and over	(179)	(236)	(240)	(4)
	(142,393)	(179,043)	(167,443)	11,600
<b>Total U.S. dollars - Sugar</b>	<b>(68,366)</b>	<b>(91,680)</b>	<b>(90,990)</b>	<b>690</b>
<b>SUGAR</b>				
<b>Purchases EUR</b>				
Less than 1 year	672	1,058	1,055	(3)
1 to 2 years	—	—	(2)	(2)
<b>Total EUR - Sugar</b>	<b>672</b>	<b>1,058</b>	<b>1,053</b>	<b>(5)</b>
<b>MAPLE PRODUCTS</b>				
<b>Purchases U.S. dollars</b>				
Less than 1 year	3,201	4,292	4,012	(280)
<b>Sales U.S. dollars</b>				
Less than 1 year	(34,475)	(47,715)	(45,623)	2,092
1 to 2 years	(1,788)	(2,400)	(2,380)	20
2 to 3 years	(103)	(139)	(138)	1
	(36,366)	(50,254)	(48,141)	2,113
<b>Total U.S. dollars - Maple</b>	<b>(33,165)</b>	<b>(45,962)</b>	<b>(44,129)</b>	<b>1,833</b>
<b>MAPLE PRODUCTS</b>				
<b>Sales EUR</b>				
Less than 1 year	(12,108)	(19,022)	(18,923)	99
<b>Total EUR - Maple</b>	<b>(12,108)</b>	<b>(19,022)</b>	<b>(18,923)</b>	<b>99</b>
<b>MAPLE PRODUCTS</b>				
<b>Sales AUD</b>				
Less than 1 year	(5,123)	(4,840)	(4,873)	(33)
<b>Total AUD - Maple</b>	<b>(5,123)</b>	<b>(4,840)</b>	<b>(4,873)</b>	<b>(33)</b>
<b>Total Foreign Exchange</b>	<b>(118,090)</b>	<b>(160,446)</b>	<b>(157,862)</b>	<b>2,584</b>

## 9. FINANCIAL INSTRUMENTS (CONTINUED)

### *Derivative financial instruments (continued)*

#### (d) Interest rate swap agreements:

In order to fix the interest rate on a substantial portion of the expected drawdown of the revolving credit facility, the Company enters into interest rate swap agreements. The outstanding swap agreements by maturity are as follows:

Fiscal year contracted	Date	Total value
		\$
Fiscal 2017	May 29, 2017 to June 28, 2022 - 1.454%	20,000
Fiscal 2017	September 1, 2017 to June 28, 2022 - 1.946%	30,000
Fiscal 2017	June 29, 2020 to June 29, 2022 - 1.733%	30,000
Fiscal 2019	March 12, 2019 to June 28, 2024 - 2.08%	20,000
Fiscal 2019	June 28, 2022 to June 28, 2024 - 2.17%	80,000
Fiscal 2020	October 3, 2019 to June 28, 2024 - 1.68%	20,000
Fiscal 2020	February 24, 2020 to June 28, 2025 - 1.60%	20,000
Fiscal 2020	June 28, 2021 to June 28, 2023 - 1.08%	10,000
Fiscal 2020	June 28, 2024 to June 28, 2025 - 1.18%	80,000

The counterparties to these swap agreements are major Canadian financial institutions. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of swap agreements, nor does it anticipate non-performance by the counterparties. As at October 2, 2021, the fair value of the swap agreements amounted to a liability of \$2.3 million (October 3, 2020 - liability of \$6.7 million).

### *Risks*

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks at year-end.

#### (a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company believes it has limited credit risk other than those explained in Note 7, Trade and other receivables and Note 9, Financial instruments.

#### (b) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rate. The Company's significant cash flow exposure to foreign currency is due mainly to the following:

- sales in U.S. dollars for both the sugar and maple products segments;
- purchases of natural gas;
- sales of by-products;
- Taber refined sugar and by-products sales;
- ocean freight; and
- purchases of property, plant and equipment for both the sugar and maple products segments.

9. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(b) Currency risk (continued):

The Company mitigates its exposure to foreign currency by entering into forward exchange contracts (see Note 9, Financial instruments; Derivative financial instruments, (c) Foreign exchange contracts).

The Company had the following significant foreign currency exposures at year-end:

	October 2, 2021	October 3, 2020
	(US\$)	(US\$)
Financial instruments measured at amortized cost:		
Cash	6,107	3,126
Trade and other receivables, including initial margin deposits	29,430	22,400
Trade and other payables	(2,883)	(2,703)
	<b>32,654</b>	22,823
Financial instruments at fair value through profit or loss:		
Raw sugar futures sales contracts	89,250	121,322
Raw sugar futures purchases contracts	(97,528)	(118,866)
Natural gas contracts	(22,221)	(30,449)
Fair value loss or (gain) on futures contracts	(4,572)	1,428
	<b>(35,071)</b>	(26,565)
Total exposure from above	<b>(2,417)</b>	(3,742)
Forward exchange contracts	<b>(65,346)</b>	(101,532)
Gross exposure	<b>(67,763)</b>	(105,274)

As at October 2, 2021, the U.S./Can. exchange rate was \$1.2635 (October 3, 2020 - \$1.3304).

Based on the above gross exposure at year-end, and assuming that all other variables remain constant, in particular the price of raw sugar and natural gas, a 5-cent increase in the Canadian dollar would result in an increase in net earnings of \$2.5 million, (October 3, 2020 - increase in net earnings of \$3.9 million) while a 5-cent decrease would have an equal but opposite effect on net earnings.

## 9. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

### (b) Currency risk (continued):

Management believes that the impact on the gross exposure is not representative as it needs to be adjusted for the following transactions, which are not recorded on the consolidated statements of financial position as at year-end but were committed during the fiscal year, and will be accounted for as the physical transactions occur:

	October 2, 2021	October 3, 2020
	(US\$)	(US\$)
Gross exposure as per above	(67,763)	(105,274)
Sugar purchases priced not received	(114,172)	(112,742)
Committed future sales in U.S. dollars	167,190	185,095
Ocean freight	(1,770)	554
Other	(1,716)	(1,515)
Net exposure	(18,231)	(33,882)

The net exposure is due mainly to the Company's policy not to hedge its foreign exchange exposure on natural gas futures contracts with maturities exceeding 12 months. The impact of a 5-cent increase in the Canadian dollar would result in an increase in net earnings by \$0.7 million in 2021 (October 3, 2020 - increase in net earnings of \$1.3 million) while a decrease would have an equal but opposite effect on net earnings.

Sugar futures sales contracts represent, in large part, contracts entered into when sugar is priced to a customer. As both the raw sugar component of futures sales contracts and the sugar purchases priced not received are in U.S. dollars, there is no need to hedge the currency of the raw sugar component, hence the adjustment for sugar purchases priced not received. It also includes the Taber sales of refined sugar in U.S. dollars. As all beet sugar is paid in Canadian dollars, Taber sales contracts in U.S. dollars need to be financially hedged for currency exposure.

Included in other, is the U.S. dollar exposure stemming from future purchases entering in the production of Blending products. As this exposure is hedged, an offsetting amount is included in the forward exchange contracts.

Some sales are transacted in U.S. dollars. For these sales, the raw sugar value is not hedged, as the corresponding futures contract is also in U.S. dollars. Only the U.S. dollar refined sugar margin and ocean freight contribution are hedged for the currency exposure.

Ocean freight for raw sugar is denominated in U.S. dollars and therefore forward exchange contracts are used to cover the foreign exchange exposure.

### (c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at October 2, 2021, the Company has a short-term cash borrowing of \$Nil (October 3, 2020 - \$29.0 million) and a long-term cash borrowing of \$198.8 million (October 3, 2020 - \$165.0 million). The Company has \$98.8 million in senior guaranteed notes bearing fixed interest rate and therefore may be exposed to fair value variance. Remaining borrowing is normally entered into a 30 - or 90-day bankers' acceptance for an amount varying between \$100.0 million to \$160.0 million of the borrowings and will borrow either under prime rate loans or shorter term bankers' acceptances.

9. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(c) Interest rate risk (continued):

To mitigate the risk in future cash flows due to interest rate fluctuations, the Company enters into interest rate swap agreements from time to time (see Note 9, Financial Instruments, Derivative financial instruments, (d) interest rate swap agreements). All other borrowings over and above the aggregate notional amount of the swap agreements are therefore exposed to interest rate fluctuations, to the exception of the senior guaranteed notes that bear fixed interest rate.

For the fiscal year ended October 2, 2021, if interest rates had been 50 basis points higher, considering all borrowings not covered by the interest rate swap agreements, net earnings would have been \$0.2 million lower (October 3, 2020 - \$0.4 million lower net earnings) while a decrease would have an equal but opposite effect on net earnings.

(d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount	Contractual cash flows	October 2, 2021		
			2 to 12 months	12 to 24 months	After 24 months
	\$	\$	\$	\$	\$
<b>Non-derivative financial liabilities:</b>					
Revolving credit facility	100,000	100,000	—	—	100,000
Trade and other payables	119,940	119,940	119,940	—	—
Senior guaranteed notes	98,785	100,000	—	—	100,000
	318,725	319,940	119,940	—	200,000
<b>Derivative financial instruments measured at fair value through profit or loss:</b>					
Sugar futures contracts <sup>(1)</sup>	22	16,233	(2,607)	18,567	273
Forward exchange contracts (net) <sup>(1)</sup>	67	(88,569)	(91,139)	1,787	783
Interest on swap agreements	471	2,313	764	737	812
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>					
Natural gas contracts <sup>(1)</sup>	(11,502)	28,076	5,654	6,570	15,852
Interest on swap agreements	1,809	6,615	1,896	2,152	2,567
	(9,133)	(35,332)	(85,432)	29,813	20,287
	309,592	284,608	54,508	29,813	220,287

(1) Based on notional amounts as presented above.

## 9. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

## (d) Liquidity risk (continued):

	Carrying amount	Contractual cash flows	October 3, 2020		
			0 to 12 months	12 to 24 months	After 24 months
	\$	\$	\$	\$	\$
<b>Non-derivative financial liabilities:</b>					
Bank overdraft	2,797	2,797	2,797	—	—
Revolving credit facility	194,000	194,000	29,000	—	165,000
Trade and other payables	131,089	131,089	131,089	—	—
	327,886	327,886	162,886	—	165,000
<b>Derivative financial instruments measured at fair value through profit or loss:</b>					
Sugar futures contracts <sup>(1)</sup>	(103)	5,167	2,916	4,928	(2,677)
Forward exchange contracts (net) <sup>(1)</sup>	(2,584)	(160,446)	(137,677)	(18,230)	(4,539)
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>					
Natural gas contracts <sup>(1)</sup>	1,575	40,509	6,794	8,532	25,183
Interest on swap agreements	6,729	11,583	2,655	2,660	6,268
	5,617	(103,187)	(125,312)	(2,110)	24,235
	333,503	224,699	37,574	(2,110)	189,235

(1) Based on notional amounts as presented above.

The convertible unsecured subordinated debentures of \$147.7 million have been excluded from the above due to the Company's option to satisfy the obligations at redemption or maturity in shares.

The Company borrows under its revolving credit facility (see Note 16, Revolving credit facility). It is the Company's intention to keep a debt level under its revolving credit facility between \$100.0 million to \$160.0 million. All other non-derivative financial liabilities are expected to be financed through the collection of trade and other receivables and cash flows generated from operations.

Derivative financial instruments for raw sugar, natural gas and forward exchange contracts are expected to be financed from the working capital of the Company.

As at October 2, 2021, the Company had an unused available line of credit of \$165.0 million (October 3, 2020 - \$71.0 million), a cash balance of \$15.6 million (October 3, 2020 - \$2.0 million) and an overdraft balance of \$Nil (October 3, 2020 - \$2.8 million).

## 9. FINANCIAL INSTRUMENTS (CONTINUED)

### Risks (continued)

#### (e) Commodity price risk:

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices.

There are two types of commodity contracts, which are entered into by the Company:

#### (i) Sugar:

In order to protect itself against fluctuations of the world raw sugar market, the Company follows a rigorous hedging program for all purchases of raw cane sugar and sales of refined sugar. Anytime raw sugar is priced by a sugar supplier, a corresponding sugar futures contract is sold for the same quantity, period and underlying value. Anytime refined sugar is priced by a customer, the corresponding volume of raw sugar is purchased for the same quantity, period and underlying value. The Company's policy is to cover all raw cane purchases and refined sugar sales as they are priced by the Company's suppliers and customers. On a daily basis, the Company monitors all net sugar futures contract positions against the physical priced purchases and sales commitments to ensure that appropriate hedge positions are in place.

For the Company's beet operation, the Board of Directors approved an economic pre-hedge, using sugar futures contracts, of some of the beet sugar sales that will occur in the future, provided there is a contract in place with the Alberta Sugar Beet Growers to grow sugar beets.

The Board of Directors also approved a trading book up to a maximum of 15,000 metric tonnes of sugar derivative contracts.

#### (ii) Natural gas:

In order to mitigate the overall price risks in the purchase of natural gas for use in the manufacturing operations, the Board approved the use of natural gas futures contracts. Natural gas futures contracts cannot be entered into for speculative reasons.

As at October 2, 2021, the Company had the following commodity contracts:

	Sugar futures contracts			Natural gas contracts		
	Volume (M.T.)	Current average value (US\$)	Current contract value (US\$)	Contracts (10,000 MM BTU)	Current average value (US\$)	Current contract value (US\$)
Purchases	276,927	421.54	116,736	933	33.57	31,324
Sales	(226,480)	429.97	(97,379)	—	—	—
Beet pre-hedge	(15,749)	413.20	(6,507)	—	—	—
	34,698	n/a	12,850	933	33.57	31,324
Foreign exchange rate at the end of the period			1.2635			1.2635
Net value CA\$			16,236			39,578

## 9. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

### (e) Commodity price risk (continued):

(ii) Natural gas (continued):

As at October 3, 2020, the Company had the following commodity contracts:

	Sugar futures contracts			Natural gas contracts		
	Volume (M.T.)	Current average value (US\$)	Current contract value (US\$)	Contracts (10,000 MM BTU)	Current average value (US\$)	Current contract value (US\$)
Purchases	441,122	287.34	126,753	1,155	25.34	29,264
Sales	(457,024)	285.84	(130,637)	—	—	—
	(15,902)	n/a	(3,884)	1,155	25.34	29,264
Foreign exchange rate at the end of the period			1.3304			1.3304
Net value CA\$			(5,167)			38,933

If, on October 2, 2021, the raw sugar value would have increased by US\$0.05 per pound (being approximately US\$110.0 per metric tonne), and all other variables remained constant, the impact on net earnings would have been an increase of approximately \$3.6 million (calculated only on the point-in-time exposure on October 2, 2021) (October 3, 2020 - decrease in net earnings of \$1.7 million for US\$0.05 per pound increase). If the raw sugar value would have decreased by US\$0.02 per pound (being approximately US\$44.00 per metric tonne), and all other variables remained constant, the impact on net earnings would have been a decrease of approximately \$1.4 million (October 3, 2020 - increase in net earnings of \$0.7 million for US\$0.02 decrease).

Except for the beet pre-hedge, management believes that the above is not representative, as the Company has physical raw sugar purchases and refined sugar selling contracts that would offset most gains or losses realized from such decrease or increase in the commodity value, when such contracts are liquidated. For the beet pre-hedge, if, on October 2, 2021, the raw sugar value would have increased by US\$0.05 per pound (being approximately US\$110.00 per metric tonne), and all other variables remained constant, the impact on net earnings would have been a decrease of approximately \$1.6 million (calculated only on the point-in-time exposure on October 2, 2021). If the raw sugar value would have decreased by US\$0.02 per pound (being approximately US\$44.00 per metric tonne), and all other variables remained constant, the impact on net earnings would have been an increase of approximately \$0.6 million. The Company had no beet pre-hedge contracts as at October 3, 2020. If, on October 2, 2021, the natural gas market price would have increased by US\$1.00, and all other variables remained constant, net earnings would have increased by \$8.7 million (October 3, 2020 - increase in net earnings of \$11.4 million) as a result of the change in fair value of our natural gas futures. If the natural gas value would have decreased by US\$1.00, and all other variables remained constant, would have an equal but opposite effect on net earnings.

Management believes that this impact for natural gas is not representative as this variance will mostly offset when the actual natural gas is purchased and used. At such time, a gain or loss on the liquidation of the natural gas contracts would mostly offset the same increase or decrease in the actual physical transaction.



## 9. FINANCIAL INSTRUMENTS (CONTINUED)

### *Fair values of financial instruments*

The fair values of derivative instruments are the estimated amount that the Company would receive or pay to terminate the instruments at the reporting date. The fair values have been determined by reference to prices available from the markets on which the instruments trade, subject to credit adjustments as applicable. The fair values of all derivative instruments approximate their carrying value and are recorded as separate line items on the consolidated statements of financial position.

The following describes the fair value determinations of financial instruments:

- i) Cash: due to the short-term maturity of these instruments, the carrying amount approximates fair value.
- ii) Trade and other receivables and trade and other payables: the carrying amount approximates fair value due to the short-term maturity of these instruments.
- iii) Borrowing under the revolving credit facility: the carrying amount approximates fair value as the borrowings bear interest at variable rates.
- iv) The fair values for the derivative assets and liabilities are estimated using industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, natural gas prices, foreign exchange rates, and forward and spot prices for currencies.
- v) The fair value of convertible unsecured subordinated debentures was based upon market quotes for the identical instruments.
- vi) Borrowing under the senior guaranteed notes: the carrying amount approximates fair value as borrowing was made in the current year.

## 9. FINANCIAL INSTRUMENTS (CONTINUED)

*Fair values of financial instruments (continued)*

The following tables provide a comparison of carrying and fair values for each classification of financial instruments at year-end, and show a level within the fair values hierarchy in which they have been classified.

	Fair values hierarchy level	October 2, 2021		October 3, 2020	
		Carrying values	Fair values	Carrying values	Fair values
		\$	\$	\$	\$
<b>FINANCIAL ASSETS:</b>					
<b>Derivative financial instruments measured at fair value through profit or loss:</b>					
Sugar futures contracts	Level 1	120	120	103	103
Foreign exchange forward contracts	Level 2	145	145	2,584	2,584
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>					
Natural gas futures contracts	Level 2	11,502	11,502	87	87
<b>Financial assets recorded at amortized cost:</b>					
Cash	Level 1	15,643	15,643	1,974	1,974
Trade and other receivables	n/a	95,546	95,546	94,262	94,262
Income taxes receivable	n/a	285	285	2,042	2,042
<b>Total financial assets</b>		<b>123,241</b>	<b>123,241</b>	<b>101,052</b>	<b>101,052</b>
<b>FINANCIAL LIABILITIES:</b>					
<b>Derivative financial instruments measured at fair value through profit or loss:</b>					
Sugar futures contracts	Level 1	142	142	—	—
Foreign exchange forward contracts	Level 2	213	213	—	—
Interest rate swap	Level 2	471	471	—	—
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>					
Natural gas futures contracts	Level 2	—	—	1,662	1,662
Interest rate swap	Level 2	1,809	1,809	6,729	6,729
<b>Financial liabilities recorded at amortized cost:</b>					
Bank overdraft	Level 1	—	—	2,797	2,797
Revolving credit facility	n/a	100,000	100,000	194,000	194,000
Trade and other payables	n/a	119,940	119,940	131,089	131,089
Income taxes payable	n/a	3,454	3,454	—	—
Senior guaranteed notes	Level 1	98,785	98,785	—	—
Convertible unsecured subordinated debentures	Level 1	147,742	160,224	145,836	156,722
<b>Total financial liabilities</b>		<b>472,556</b>	<b>485,038</b>	<b>482,113</b>	<b>492,999</b>

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Barrels	Furniture and fixtures	Finance leases	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost or deemed cost</b>								
Balance at September 28, 2019	18,089	75,330	315,199	2,628	6,697	1,328	16,689	435,960
Additions	—	2,655	3,481	142	359	—	20,618	27,255
Transfers	—	2,248	16,848	—	500	—	(19,596)	—
Transfer to right-of-use-assets	—	—	—	—	—	(1,328)	—	(1,328)
Disposals	—	—	(224)	(38)	—	—	—	(262)
Effect of movements in exchange rate	—	—	2	1	—	—	—	3
Balance at October 3, 2020	18,089	80,233	335,306	2,733	7,556	—	17,711	461,628
<b>Additions</b>	—	<b>53</b>	<b>3,395</b>	<b>71</b>	<b>123</b>	—	<b>24,610</b>	<b>28,252</b>
<b>Transfers</b>	—	<b>4,065</b>	<b>10,253</b>	—	<b>466</b>	—	<b>(14,784)</b>	—
<b>Disposals</b>	—	—	<b>(564)</b>	—	—	—	—	<b>(564)</b>
<b>Effects of movements in exchange rate</b>	—	—	<b>(2)</b>	<b>(7)</b>	—	—	—	<b>(9)</b>
<b>Balance at October 2, 2021</b>	<b>18,089</b>	<b>84,351</b>	<b>348,388</b>	<b>2,797</b>	<b>8,145</b>	—	<b>27,537</b>	<b>489,307</b>
<b>Accumulated depreciation</b>								
Balance at September 28, 2019	—	26,148	184,563	909	3,663	269	—	215,552
Transfer to right-of-use-assets	—	—	—	—	—	(269)	—	(269)
Depreciation for the year	—	2,144	12,726	456	896	—	—	16,222
Disposals	—	—	(224)	(38)	—	—	—	(262)
Effect of movements in exchange rate	—	—	—	—	—	—	—	—
Balance at October 3, 2020	—	28,292	197,065	1,327	4,559	—	—	231,243
<b>Depreciation for the year</b>	—	<b>2,297</b>	<b>13,060</b>	<b>440</b>	<b>902</b>	—	—	<b>16,699</b>
<b>Disposals</b>	—	—	<b>(348)</b>	—	—	—	—	<b>(348)</b>
<b>Effect of movements in exchange rate</b>	—	—	—	—	—	—	—	—
<b>Balance at October 2, 2021</b>	—	<b>30,589</b>	<b>209,777</b>	<b>1,767</b>	<b>5,461</b>	—	—	<b>247,594</b>
<b>Net carrying amounts</b>								
At October 3, 2020	18,089	51,941	138,241	1,406	2,997	—	17,711	230,385
<b>At October 2, 2021</b>	<b>18,089</b>	<b>53,762</b>	<b>138,611</b>	<b>1,030</b>	<b>2,684</b>	—	<b>27,537</b>	<b>241,713</b>

There were no impairment losses during fiscal 2021 and 2020.

Any grants received are offset against property, plant and equipment additions. During the year, an amount of \$0.4 million was recorded (October 3, 2020 - \$0.6 million).

All property, plant and equipment have been pledged as security for the revolving credit facility (see Note 16, Revolving credit facility).

## 11. RIGHT-OF-USE ASSETS

	Land	Buildings	Machinery and equipment	Total
	\$	\$	\$	\$
<b>Cost:</b>				
Balance at September 28, 2019	—	—	—	—
Reclassification from property, plant and equipment	40	1,023	265	1,328
Additions as at September 29, 2019 (initial recognition)	—	7,159	3,876	11,035
Other Additions	—	9,383	2,435	11,818
Effect of movements in exchange rate	—	6	2	8
Balance at October 3, 2020	40	17,571	6,578	24,189
<b>Additions</b>	<b>—</b>	<b>1,349</b>	<b>1,375</b>	<b>2,724</b>
<b>Effect of movements in exchange rate</b>	<b>—</b>	<b>6</b>	<b>2</b>	<b>8</b>
<b>Balance at October 2, 2021</b>	<b>40</b>	<b>18,914</b>	<b>7,952</b>	<b>26,906</b>
<b>Accumulated depreciation:</b>				
Balance at September 28, 2019	—	—	—	—
Reclassification from property, plant and equipment	—	69	200	269
Depreciation for the year	—	2,712	722	3,434
Effect of movements in exchange rate	—	(3)	—	(3)
Balance at October 3, 2020	—	2,778	922	3,700
<b>Depreciation for the year</b>	<b>—</b>	<b>3,435</b>	<b>1,247</b>	<b>4,682</b>
<b>Effect of movements in exchange rate</b>	<b>—</b>	<b>(2)</b>	<b>—</b>	<b>(2)</b>
<b>Balance at October 2, 2021</b>	<b>—</b>	<b>6,211</b>	<b>2,169</b>	<b>8,380</b>
<b>Net carrying amounts:</b>				
At October 3, 2020	40	14,793	5,656	20,489
<b>At October 2, 2021</b>	<b>40</b>	<b>12,703</b>	<b>5,783</b>	<b>18,526</b>

12. INTANGIBLE ASSETS

	Software	Customer relationships	Brand names <sup>(1)</sup>	Other	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance at September 28, 2019	4,030	34,623	5,887	574	45,114
Additions	25	—	—	—	25
Effect of movements in exchange rate	—	15	4	—	19
Balance at October 3, 2020	4,055	34,638	5,891	574	45,158
<b>Additions</b>	<b>358</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>358</b>
<b>Effect of movements in exchange rate</b>	<b>—</b>	<b>(125)</b>	<b>(34)</b>	<b>—</b>	<b>(159)</b>
<b>Balance at October 2, 2021</b>	<b>4,413</b>	<b>34,513</b>	<b>5,857</b>	<b>574</b>	<b>45,357</b>
<b>Accumulated amortization</b>					
Balance at September 28, 2019	2,235	7,212	—	223	9,670
Amortization for the year	324	3,470	—	28	3,822
Balance at October 3, 2020	2,559	10,682	—	251	13,492
<b>Amortization for the year</b>	<b>383</b>	<b>3,419</b>	<b>—</b>	<b>29</b>	<b>3,831</b>
<b>Balance at October 2, 2021</b>	<b>2,942</b>	<b>14,101</b>	<b>—</b>	<b>280</b>	<b>17,323</b>
<b>Net carrying amounts</b>					
At October 3, 2020	1,496	23,956	5,891	323	31,666
<b>At October 2, 2021</b>	<b>1,471</b>	<b>20,412</b>	<b>5,857</b>	<b>294</b>	<b>28,034</b>

(1) Indefinite life.

13. OTHER ASSETS

Deferred financing charges represent the fees and costs related to the revolving credit facility agreement (see Note 16, Revolving credit facility).

These fees are amortized over the life of the revolving credit facility, which matures on June 28, 2024.

**14. DEFERRED TAX LIABILITIES**

The deferred tax liabilities comprise the following temporary differences:

	October 2, 2021	October 3, 2020
	\$	\$
Net assets (liabilities): <sup>(1)</sup>		
Property, plant and equipment	(35,926)	(36,529)
Right-of-use assets	(4,855)	(5,335)
Intangibles	(7,705)	(6,987)
Employee benefits	6,847	15,213
Lease obligations	4,840	5,310
Derivative financial instruments	(3,834)	1,942
Losses carried forward	6,918	6,307
Goodwill	(2,729)	(2,649)
Provisions	982	241
Deferred financing charges	(874)	(687)
Other	(464)	(28)
	<b>(36,800)</b>	<b>(23,202)</b>

(1) The Company has offset the comparative period's deferred tax asset against deferred tax liability as the Company has the legal right to settle the current tax amount on a net basis and the amounts are levied by the same taxing authorities on the same entity.

As at October 2, 2021, no deferred tax liability was recognized for temporary differences arising from investments in subsidiaries because the Company controls the decisions affecting the realization of such liabilities and it is probable that the temporary differences will not reverse in the foreseeable future.

14. DEFERRED TAX LIABILITIES (CONTINUED)

The movement in temporary differences during the current years is as follows:

	Balance October 3, 2020	Recognized in profit (loss)	Recognized in other comprehensive income (loss)	Balance October 2, 2021
	\$	\$	\$	\$
Property, plant and equipment	(36,529)	603	—	(35,926)
Right-of-use assets	(5,335)	480	—	(4,855)
Intangibles	(6,987)	(718)	—	(7,705)
Employee benefits	15,213	420	(8,786)	6,847
Lease obligations	5,310	(470)	—	4,840
Derivative financial instruments	1,942	(1,162)	(4,614)	(3,834)
Losses carried forward	6,307	611	—	6,918
Goodwill	(2,649)	(80)	—	(2,729)
Provisions	241	741	—	982
Deferred financing charges	(687)	(187)	—	(874)
Other	(28)	(436)	—	(464)
	<b>(23,202)</b>	<b>(198)</b>	<b>(13,400)</b>	<b>(36,800)</b>

	Balance September 28, 2019	Recognized in profit (loss)	Recognized in other comprehensive income (loss)	Balance October 3, 2020
	\$	\$	\$	\$
Property, plant and equipment	(29,465)	(7,064)	—	(36,529)
Right-of-use assets	—	(5,335)	—	(5,335)
Intangibles	(7,836)	849	—	(6,987)
Employee benefits	13,267	444	1,502	15,213
Lease obligations	—	5,310	—	5,310
Derivative financial instruments	774	152	1,016	1,942
Losses carried forward	3,548	2,759	—	6,307
Goodwill	(2,537)	(112)	—	(2,649)
Provisions	435	(194)	—	241
Deferred financing charges	(549)	(138)	—	(687)
Other	(579)	551	—	(28)
	<b>(22,942)</b>	<b>(2,778)</b>	<b>2,518</b>	<b>(23,202)</b>

## 15. GOODWILL

### Recoverability of cash generating units ("CGU"):

For the purpose of impairment testing, goodwill and intangibles with indefinite useful life are allocated to the Company's operating segments, which represent the lowest level within the Company at which the goodwill and intangibles are monitored for internal management purposes, as follows:

	October 2, 2021	October 3, 2020
	\$	\$
Sugar:		
Goodwill	229,952	229,952
Maple products:		
Goodwill	53,055	53,055
Brand names	5,857	5,891
	<b>288,864</b>	288,898

In assessing whether goodwill and indefinite life intangible assets are impaired, the carrying amount of the segments (including goodwill and indefinite life intangible assets) are compared to their recoverable amount. The recoverable amounts of segments are based on the higher of the value in use and fair value less costs of disposal.

### SUGAR SEGMENT

The Company performed the annual impairment review for goodwill as at October 2, 2021, and the estimated recoverable amounts exceeded the carrying amounts of the segments and, as a result, there was no impairment identified.

The recoverable amount was based on value in use. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2021
	%
Pre-tax discount rate	9.9
Terminal growth rate	2.0
Budgeted EBITDA growth rate (average of next 5 years)	4.0

The discount rate was a pre-tax measure estimated based on historical industry weighted-average cost of capital adjusted for impacts on risk and taxes.



15. GOODWILL (CONTINUED)

SUGAR SEGMENT (CONTINUED)

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was based on management's best estimate of the long-term compound annual EBITDA growth rate.

Budgeted EBITDA was estimated taking into account past experience, adjusted to factor revenue growth for the first year based on budgeted sales volumes, and the following years taking into account the average growth levels experienced over the past 5 years and the estimated sales volumes and price growth for the next five years. It was assumed that the sales price would increase in line with forecasted inflation over the next five years.

Management has identified the two key assumptions that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	<b>2021</b>
	%
Pre-tax discount rate	4.6
Budgeted EBITDA growth rate	(5.4)

MAPLE PRODUCTS SEGMENT

The Company performed the annual impairment review for goodwill and indefinite life intangible assets as at October 2, 2021, and the estimated recoverable amounts using the higher of the value in use and fair value less costs to sell (the "FVLCS").

The FVLCS is the amount obtainable from the sale of the cash generating unit in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. The fair value hierarchy used to measure the FVLCS is level 3. Management has estimated this amount by using the market approach which incorporated comparable and transaction multiples which were applied to adjusted EBITDA of fiscal 2021 and budgeted EBITDA for fiscal 2022 to derive a range of the FVLCS. The key assumption was the multiple selected based on comparable companies in the same sector as the Maple CGU. Other assumptions include a size discount, the cost to dispose and a control premium. The estimated multiple ranged from 6.5x to 14.8x. A decline in the multiple used of 3x would result in the estimated recoverable amount to be equal to the carrying amount.

The Company determined that the FVLCS was the recoverable amount and no goodwill impairment was identified.

**16. REVOLVING CREDIT FACILITY**

The Company has a total of \$265.0 million of available working capital under the revolving credit facility, which matures on June 28, 2024, from which it can borrow at prime rate, LIBOR rate or under bankers' acceptances, plus 20 to 250 basis points, based on achieving certain financial ratios. On November 23, 2021, the revolving credit facility was amended. The available credit was reduced to 200.0 million and now matures on November 23, 2026.

Certain assets of the Company, including trade receivables, inventories and property, plant and equipment, have been pledged as security for the revolving credit facility. As at October 2, 2021, a total of \$498.5 million of assets are pledged as security (October 3, 2020 - \$482.9 million). The Company must comply with certain financial covenants related to the revolving credit facility on a quarterly basis. The Company was in compliance with the financial covenants at year end.

The following amounts were outstanding under the revolving credit facility as at:

	<b>October 2, 2021</b>	October 3, 2020
	\$	\$
Current	—	29,000
Non-current	<b>100,000</b>	165,000
	<b>100,000</b>	194,000

The carrying value of the revolving credit facility approximates fair value as the borrowings bear interest at variable rates.

**17. TRADE AND OTHER PAYABLES**

	<b>October 2, 2021</b>	October 3, 2020
	\$	\$
Trade payables	<b>93,424</b>	105,894
Other non-trade payables	<b>4,298</b>	2,641
Personnel-related liabilities	<b>12,886</b>	13,236
Dividends payable to shareholders	<b>9,332</b>	9,318
	<b>119,940</b>	131,089

Considering that Maple products syrup is harvested once a year, the *Producteurs et Productrices Acericoles du Québec* ("PPAQ") offers to authorized purchasers the possibility to pay their purchases over the course of the year (ending in February). Once the syrup is graded, the Company must pay 30% of the cost of the syrup on the 15th of the following month. The outstanding balance bears interest (prime + 1%) and is paid in four monthly installments (November, December, January and February). Included in trade payables is an amount of \$38.6 million as of October 2, 2021 (October 3, 2020 - \$61.4 million).

During the year, more than 93% of the maple syrup purchases were made from the PPAQ.

Personnel-related liabilities represent the Company's obligation to its current and former employees that are expected to be settled within one year from the reporting period as salary and accrued vacation.

The Company's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 9, Financial instruments.

## 18. PROVISIONS

	October 2, 2021	October 3, 2020
	\$	\$
Opening balance	937	1,697
Additions	3,231	100
Provisions used during the period	(343)	(860)
Closing balance	<b>3,825</b>	937
Presented as:		
Current	<b>1,394</b>	500
Non-current	<b>2,431</b>	437
	<b>3,825</b>	937

Provisions are comprised of asset retirement obligations, which represent the future cost the Company estimated to incur for the removal of asbestos in the operating facilities and for oil, chemical and other hazardous materials for which the Company has been able to identify the costs.

The estimate of the total liability for future asset retirement obligations is subject to change, based on amendments to laws and regulations and as new information concerning the Company's operations becomes available. Future changes, if any, to the estimated total liability as a result of amended requirements, laws, regulations and operating assumptions would be recognized prospectively as a change in estimate, when applicable.

## 19. LEASE OBLIGATIONS

The Company's leases are primarily for warehouses, operating properties, railcars and production equipment.

The following table presents lease obligations recorded in the consolidated statements of financial position:

	October 2, 2021	October 3, 2020
	\$	\$
Current	3,049	3,981
Non-current	15,443	16,423

The following table summarizes the reconciliation of the lease obligations for the periods ended:

	October 2, 2021	October 3, 2020
	\$	\$
Opening balance	20,404	—
Reclassification from finance lease obligations	—	881
Additions as at the date of initial application	—	11,035
Additions	2,724	11,818
Payment of lease obligations	(5,487)	(4,205)
Interest accretion	858	864
Effect of movements in exchange rate	(7)	11
Closing balance	<b>18,492</b>	20,404

**19. LEASE OBLIGATIONS (CONTINUED)**

Certain leases contain extension or termination options exercisable by the Company before the end of the non-cancellable contract period. The Company has applied judgement to determine the lease term for the contracts with renewal and termination options and has included renewal and termination options in the measurement of lease obligations when it is reasonably certain to exercise the options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or a significant change in circumstances which impacts the original assessments made.

Expenses relating to short-term leases, and for leases of low-value assets were not significant for the period ended October 2, 2021 (October 3, 2020 – not significant).

The total cash outflow for leases (including interest) for the period ended October 2, 2021 was \$5.5 million (October 3, 2020-\$4.2 million), which was included as part of cash outflows from financing activities.

The lease obligations are payable as follows:

	October 2, 2021			October 3, 2020		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	\$	\$	\$	\$	\$	\$
Less than one year	3,810	761	3,049	4,405	839	3,566
Between one and five years	9,180	2,328	6,852	10,188	2,931	7,257
More than five years	10,556	1,965	8,591	11,625	2,044	9,581
	<b>23,546</b>	<b>5,054</b>	<b>18,492</b>	26,218	5,814	20,404

**20. EMPLOYEE BENEFITS**

The Company sponsors defined benefit pension plans for its employees ("Pension benefit plans"), as well as health care benefits, medical plans and life insurance coverage ("Other benefit plans").

The following table presents a reconciliation of the pension obligations, the plan assets and the funded status of the benefit plans:

	<b>October 2, 2021</b>	October 3, 2020
	\$	\$
Fair value of plan assets:		
Pension benefit plans	<b>121,435</b>	103,373
Defined benefit obligation:		
Pension benefit plans	<b>135,729</b>	145,667
Other benefit plans	<b>15,005</b>	16,918
	<b>150,734</b>	162,585
Funded status:		
Pension benefit plans	<b>(14,294)</b>	(42,294)
Other benefit plans	<b>(15,005)</b>	(16,918)
	<b>(29,299)</b>	(59,212)
Experience adjustment arising on plan liabilities	<b>(17,546)</b>	2,881
Experience adjustment arising on plan assets	<b>16,766</b>	(3,026)

The Company has determined that, in accordance with the terms and conditions of the defined benefit pension plans, and in accordance with statutory requirements (such as minimum funding requirements) of the plans of the respective jurisdictions, the present value of refunds or reductions in the future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of the obligations. As such, no decrease in the defined benefit liability is necessary as at October 2, 2021 and October 3, 2020.

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes at year-end. The most recent actuarial valuation of the pension plans for funding purposes was as of December 31, 2019, the next required valuation will be as of December 31, 2022.

**20. EMPLOYEE BENEFITS (CONTINUED)**

The asset allocation of the major categories in the plan was as follows:

	October 2, 2021		October 3, 2020	
	%	\$	%	\$
Equity instruments	63.3	76,868	58.5	60,473
Government bonds	33.7	40,924	36.1	37,318
Cash and short-term securities	3.0	3,643	5.4	5,582
	100.0	121,435	100.0	103,373

The pension committee prepares the documentation relating to the management of asset allocation, reviews the investment policy and recommends it to the Board of Directors for approval in the event of material changes to the policy. Semi-annually monitoring of the asset allocation of the pension benefit plans allows the pension committee to ensure that the limits of asset allocation of the pension benefit plans are respected.

Based on historical data, contributions to the defined benefit pension plans in fiscal 2022 are expected to be approximately \$4.2 million.

The pension plan exposes the Company to the following risks:

- (i) Investment risk:  
The defined benefit obligation is calculated using a discount rate. If the fund returns are lower than the discount rate, a deficit is created.
- (ii) Interest rate risk:  
Variation in bond rates will affect the value of the defined benefit obligation.
- (iii) Inflation risk:  
The defined benefit obligation is calculated assuming a certain level of inflation. An actual inflation higher than expected will have the effect of increasing the value of the defined benefit obligation.

**20. EMPLOYEE BENEFITS (CONTINUED)**

The movement in the pension and other benefit plans is as follows:

	For the fiscal years ended					
	Pension benefit plans	October 2, 2021 Other benefit plans	Total	Pension benefit plans	October 3, 2020 Other benefit plans	Total
	\$	\$	\$	\$	\$	\$
Movement in the present value of the defined benefit obligation:						
Defined benefit obligation, beginning of the year	145,667	16,918	162,585	139,952	17,181	157,133
Current service cost	3,376	405	3,781	3,156	312	3,468
Past services cost	2,970	—	2,970	—	—	—
Interest cost	3,928	448	4,376	4,110	498	4,608
Employee contributions	972	—	972	1,006	—	1,006
Benefit payments from plan	(4,781)	—	(4,781)	(4,947)	—	(4,947)
Benefit payments from employer	(929)	(694)	(1,623)	(919)	(645)	(1,564)
Actuarial gains arising from changes in demographic assumptions	—	(262)	(262)	(826)	(1,180)	(2,006)
Actuarial (gains) losses arising from changes in financial assumptions	(15,599)	(1,767)	(17,366)	5,255	635	5,890
Actuarial (gains) losses arising from member experience	125	(43)	82	(1,120)	117	(1,003)
Defined benefit obligation, end of year	135,729	15,005	150,734	145,667	16,918	162,585
Movement in the fair value of plan assets:						
Fair value of plan assets, beginning of the year	103,373	—	103,373	105,323	—	105,323
Interest income	2,822	—	2,822	3,128	—	3,128
Return on plan assets (excluding interest income)	16,766	—	16,766	(3,026)	—	(3,026)
Employer contributions	3,592	694	4,286	3,376	645	4,021
Employee contributions	972	—	972	1,006	—	1,006
Benefit payments from plan	(4,781)	—	(4,781)	(4,947)	—	(4,947)
Benefit payments from employer	(929)	(694)	(1,623)	(919)	(645)	(1,564)
Plan expenses	(380)	—	(380)	(568)	—	(568)
Fair value of plan assets, end of year	121,435	—	121,435	103,373	—	103,373

**20. EMPLOYEE BENEFITS (CONTINUED)**

The net defined benefit obligation can be allocated to the plans' participants as follows:

	October 2, 2021		October 3, 2020	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
	%	%	%	%
Active plan participants	49.2	39.0	49.5	41.6
Retired plan members	47.0	61.0	46.4	58.4
Deferred plan participants	3.8	—	4.1	—
	100.0	100.0	100.0	100.0

The Company's defined benefit pension expense was as follows:

	For the fiscal years ended					
	October 2, 2021			October 3, 2020		
	Pension benefit plans	Other benefit plans	Total	Pension benefit plans	Other benefit plans	Total
	\$	\$	\$	\$	\$	\$
Pension costs recognized in net earnings (loss):						
Current service cost	3,376	405	3,781	3,156	312	3,468
Past service cost	2,970	—	2,970	—	—	—
Expenses related to the pension benefit plans	380	—	380	568	—	568
Net interest cost	1,106	448	1,554	982	498	1,480
Re-measurements of other long-term benefits	6	(99)	(93)	9	51	60
Pension expense	7,838	754	8,592	4,715	861	5,576
Recognized in:						
Cost of sales	7,411	446	7,857	4,218	580	4,798
Administration and selling expenses	427	308	735	497	281	778
	7,838	754	8,592	4,715	861	5,576



**20. EMPLOYEE BENEFITS (CONTINUED)**

The following table presents the change in the actuarial gains and losses recognized in other comprehensive income (loss):

	For the fiscal years ended					
	October 2, 2021			October 3, 2020		
	Pension benefit plans	Other benefit plans	Total	Pension benefit plans	Other benefit plans	Total
	\$	\$	\$	\$	\$	\$
Cumulative amount in comprehensive income (loss) at the beginning of the year	24,485	(7,520)	16,965	18,159	(7,041)	11,118
Recognized during the year	(32,246)	(1,973)	(34,219)	6,326	(479)	5,847
Cumulative amount in comprehensive income (loss) at the end of the year	(7,761)	(9,493)	(17,254)	24,485	(7,520)	16,965
Recognized during the year, net of tax	(23,967)	(1,466)	(25,433)	4,701	(356)	4,345

Principal actuarial assumptions used were as follows:

	For the fiscal years ended			
	October 2, 2021		October 3, 2020	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
	%	%	%	%
Company's defined benefit obligation:				
Discount rate	3.50	3.50	2.75	2.75
Rate of compensation increase	3.00	3.00	3.00	3.00
Net benefit plan expense:				
Discount rate	2.75	2.75	3.00	2.75
Rate of compensation increase	3.00	3.50	2.50	3.00

**20. EMPLOYEE BENEFITS (CONTINUED)**

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevities underlying the value of the liabilities in the defined benefit plans are as follows:

	October 2, 2021	October 3, 2020
Longevity at age 65 for current pensioners:		
Males	22.1	22.1
Females	24.8	24.7
Longevity at age 65 for members aged 45:		
Males	23.6	23.5
Females	26.2	26.1

The assumed health care cost trend rate as at October 2, 2021 was 5.65% (October 3, 2020 - 5.73%), decreasing uniformly to 4.00% in 2040 (October 3, 2020 - 4.00% in 2040) and remaining at that level thereafter.

The following table outlines the key assumptions for the fiscal year ended October 2, 2021 and the sensitivity of a percentage change in each of these assumptions on the defined benefit plan obligations and the net defined benefit plan costs.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	For the fiscal year ended October 2, 2021		
	Pension benefit plans	Other benefit plans	Total
	\$	\$	\$
(Decrease) increase in Company's defined benefit obligation:			
<b>Discount rate</b>			
Impact of increase of 1%	(16,888)	(1,905)	(18,793)
Impact of decrease of 1%	21,525	2,437	23,962
<b>Rate of compensation increase</b>			
Impact of increase of 0.5%	1,659	(4)	1,655
Impact of decrease of 0.5%	(1,498)	5	(1,493)
<b>Mortality</b>			
99% of expected rate	373	54	427

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend would have the following effects:

	Increase	Decrease
	\$	\$
Effect on the defined benefit obligations	2,009	(1,612)

As at October 2, 2021, the weighted average duration of the defined benefit obligation amounts to 14.2 years (October 3, 2020 - 15.4 years).

## 21. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

The outstanding convertible debentures are as follows:

	October 2, 2021	October 3, 2020
	\$	\$
<b>Non-current</b>		
Sixth series (i)	57,425	57,425
Seventh series (ii)	97,575	97,575
Total face value	155,000	155,000
Less net deferred financing fees	(3,523)	(4,512)
Less equity component (i), (ii)	(6,930)	(6,930)
Accretion expense on equity component	3,195	2,278
Total carrying value - non-current	147,742	145,836

(i) Sixth series:

On July 28, 2017, the Company issued \$57.5 million Sixth series, 5.00% convertible unsecured subordinated debentures ("Sixth series debentures"), maturing on December 31, 2024, with interest payable semi-annually in arrears on June 30 and December 31 of each year. The debentures may be converted at the option of the holder at any time prior to maturity, at a conversion price of \$8.26 per share.

On or after December 31, 2020 and prior to December 31, 2022, the debentures may be redeemed by the Company, at a price equal to the principal amount plus accrued and unpaid interest, only if the current market price on the day preceding the date on which the notice is given is at least 125% of the conversion price of \$8.26. After December 31, 2022, the debentures are redeemable at a price equal to the principal amount thereof plus accrued unpaid interest.

On redemption or at maturity, the Company will repay the indebtedness of the convertible debentures by paying an amount equal to the principal amount of the outstanding convertible debentures, together with accrued and unpaid interest thereon.

The Company may, at its option, elect to satisfy its obligation to repay the principal amount of the convertible debentures, which are to be redeemed or which have matured, by issuing shares to the holders of the convertible debentures. The number of shares to be issued will be determined by dividing the indebtedness related to the convertible debenture by 95% of the then current market price on the day preceding the date fixed for redemption or the maturity date, as the case may be.

The Company allocated \$2.6 million of the Sixth series debentures into an equity component (net of tax an amount of \$2.0 million). During the year, the Company recorded \$0.3 million (October 3, 2020 - \$0.3 million) in finance costs for the accretion of the Sixth series debentures.

The Company incurred underwriting fees and issuance costs of \$2.7 million, which are netted against the convertible debenture liability.

**21. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (CONTINUED)**

## (i) Sixth series (continued):

During fiscal 2020, holders of the Sixth series debentures converted a total of \$0.1 million into 9,079 common shares. This conversion is a non-cash transaction and therefore not reflected in the consolidated statements of cash flows.

The fair value of the Sixth series convertible unsecured subordinated debentures is measured based on Level 1 of the three-tier fair value hierarchy and was based upon market quotes for the identical instruments. The fair value as at October 2, 2021 was approximately \$59.7 million (October 3, 2020 - \$58.2 million).

## (ii) Seventh series:

On March 28, 2018, and on April 3, 2020, the Company issued \$85.0 million and \$12.8 million for a total of \$97.8 million, Seventh series, 4.75% convertible unsecured subordinated debentures ("Seventh series debentures"), maturing on June 30, 2025, with interest payable semi-annually in arrears on June 30 and December 31 of each year. The debentures may be converted at the option of the holder at any time prior to maturity at a conversion price of \$8.85 per share.

On or after June 30, 2021 and prior to June 30, 2023, the debentures may be redeemed by the Company at a price equal to the principal amount plus accrued and unpaid interest, provided that the weighted average trading price of the common shares, for the 20 consecutive trading days ending on the fifth trading day preceding the day prior to the date upon which the notice of redemption is given is at least 125% of the conversion price of \$8.85 per Debenture Share. After June 30, 2023, the debentures are redeemable at a price equal to the principal amount thereof plus accrued unpaid interest.

On redemption or on the maturity date, the Company will repay the indebtedness of the convertible debentures by paying an amount equal to the principal amount of the outstanding debentures, together with accrued and unpaid interest thereon.

The Company may, at its option, elect to satisfy its obligation to repay the principal amount of the convertible debentures, which are to be redeemed or which have matured, by issuing shares to the holders of the convertible debentures. The number of shares to be issued will be determined by dividing the indebtedness related to the convertible debenture by 95% of the then current market price on the day preceding the date fixed for redemption or the maturity date, as the case may be.

The Company allocated \$4.3 million (\$3.1 million net of tax) of the Seventh series debentures into an equity component. During the year, the Company recorded \$0.6 million (October 3, 2020 - \$0.6 million) in finance costs for the accretion of the Seventh series debentures.

The Company incurred underwriting fees and issuance costs of \$4.5 million, which are netted against the convertible debenture liability.

During fiscal 2020, holders of the Seventh series debentures converted a total of \$0.2 million into 19,774 common shares. This conversion is a non-cash transaction and therefore not reflected in the consolidated statements of cash flows.

The fair value of the Seventh series convertible unsecured subordinated debentures is measured based on Level 1 of the three-tier fair value hierarchy and was based upon market quotes for the identical instruments. The fair value as at October 2, 2021 was approximately \$100.5 million (October 3, 2020 - \$98.6 million).

**22. SENIOR GUARANTEED NOTES**

During the year, the Company issued a private placement of \$100 million in the form of senior guaranteed notes ("Notes") under a note purchase agreement entered into with certain institutional investors. The Company has incurred \$1.3 million of financing fees which are netted against the senior guaranteed notes liability. The Notes are guaranteed and rank pari pasu with the existing revolving credit facility. The Notes are due on April 30, 2031, bear interest at 3.49%, and interest will be payable semi-annually in arrears in equal installments on April 30th and October 30<sup>th</sup> of each year, commencing on October 30<sup>th</sup>, 2021 and will represent interest accrued from and including the date of issue of the Notes. The net proceeds from the private placement was used to refinance existing credit facility indebtedness.

The Notes are classified and measured at amortized cost, using the effective interest method. The Company must comply with certain financial covenants related to these Notes on a quarterly basis. The Company was in compliance with the financial covenants at year end.

**23. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY**

On June 1, 2020, the Company received approval from the Toronto Stock Exchange to proceed with a Normal Course Issuer Bid ("2020 NCIB"), under which the Company may purchase up to 1,500,000 common shares. In addition, the Company entered into an automatic share purchase agreement with Scotia Capital Inc. in connection with the 2020 NCIB. Under the agreement, Scotia may acquire, at its discretion, common shares on the Company's behalf during certain "black-out" periods, subject to certain parameters as to price and number of shares. The 2020 NCIB commenced on June 3, 2020 and may continue to June 2, 2021. No shares were purchased under the 2020 NCIB during the year.

On May 22, 2019, the Company received approval from the Toronto Stock Exchange to proceed with a Normal Course Issuer Bid ("2019 NCIB"), under which the Company may purchase up to 1,500,000 common shares. The 2019 NCIB commenced on May 24, 2019 and terminated on March 30, 2020, whereby all common shares had been purchased. During fiscal 2020, the Company purchased 1,377,394 common shares having a book value of \$1.3 million for a total cash consideration of \$6.5 million. The excess of the purchase price over the book value of the shares in the amount of \$5.2 million was charged to deficit. All shares purchased were cancelled.

As of October 2, 2021, a total of 103,686,923 common shares (October 3, 2020 - 103,536,923) were outstanding.

During the year, 150,000 stock options have been exercised for net proceeds of \$0.7 million and reversal of previously recognized share-based compensation recorded in contributed surplus of \$0.1 million (note 24)

The Company declared a quarterly dividend of \$0.09 per share for fiscal years 2021 and 2020.

The following dividends were declared by the Company:

	For the fiscal years ended	
	October 2, 2021	October 3, 2020
	\$	\$
Dividends	37,300	37,380

Contributed surplus:

The contributed surplus account is used to record amounts arising on the issue of equity-settled share-based payment awards (see Note 24, Share-based compensation).

### 23. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (CONTINUED)

Capital management:

The Company's objectives when managing capital are:

- To ensure proper capital investment is done in the manufacturing infrastructure to provide stability and competitiveness of the operations;
- To have stability in the dividends paid to shareholders;
- To have appropriate cash reserves on hand to protect the level of dividends made to shareholders; and meet its operations needs to manage the business;
- To maintain an appropriate debt level so that there is no financial constraint on the use of capital, and;
- To have an appropriate line of credit.

The Company typically invests in its operations approximately \$25.0 million yearly in capital expenditures. On an exceptional basis, the Company may invest more than \$25.0 million when special capital requirements arise. Management believes that these investments, combined with approximately \$35.0 to \$40.0 million spent on average annually on maintenance expenses, allow for the stability of the manufacturing operations and improve its cost competitiveness through new technology or process procedures.

The Board of Directors aims to ensure proper cash reserves are in place to maintain the current dividend level. Dividends to shareholders will only be approved after the Directors have carefully assessed a variety of factors that include the overall competitive landscape, volume and selling margin sustainability, the operating performance and capital requirements of the manufacturing plants and the sustainability of any increase.

The Company has a \$265.0 million revolving credit facility in addition to \$100 million senior guaranteed notes that have been issued during the year. The Company estimates to use between \$100.0 million and \$160.0 million of its revolving credit facility to finance its normal operations during the year.

The Company monitors, on a quarterly basis, the ratio of total debt to earnings before interest, income taxes, depreciation and amortization, adjusted for the impact of all derivative financial instruments ("adjusted EBITDA") of the operating company. Through required lenders' covenants, the debt ratio must be kept below 3.5:1. At year-end, the operating company's debt ratio was 2.07:1 for fiscal 2021 and 2.09:1 for fiscal 2020.

The Company does not use equity ratios to manage its capital requirements.

### 24. SHARE-BASED COMPENSATION

(a) Equity-settled share-based compensation:

The Company has reserved and set aside for issuance an aggregate of 6,000,000 common shares (October 3, 2020 - 4,000,000 common shares) at a price equal to the average market price of transactions during the last five trading days prior to the grant date. Options are exercisable to a maximum of twenty percent of the optioned shares per year, starting after the first anniversary date of the granting of the options and will expire after a term of ten years. Upon termination, resignation, retirement, death or long-term disability, all share options granted under the Share Option Plan not vested shall be forfeited.

For the fiscal year ended October 2, 2021, no options were granted.

Total share-based compensation expense is amortized over the service period and included in administration and selling expenses with an offsetting credit to contributed surplus. An expense of \$107,000 was recorded for the fiscal year ended October 2, 2021 (October 3, 2020 - \$168,000).

**24. SHARE-BASED COMPENSATION (CONTINUED)**

(a) Equity-settled share-based compensation (continued):

The following table summarizes information about the Share Option Plan as of October 2, 2021:

Exercise price per option	Outstanding number of options at October 3, 2020	Options granted during the period	Options exercised during the period	Options forfeited during the period	Outstanding number of options at October 2, 2021	Weighted average remaining life	Number of options exercisable
\$4.28	250,000	—	(50,000)	—	200,000	8.47	—
\$4.59	830,000	—	(100,000)	—	730,000	3.64	730,000
\$4.68	563,500	—	—	—	563,500	8.17	112,700
\$5.58	447,175	—	—	—	447,175	7.17	178,870
\$5.61	80,000	—	—	—	80,000	0.46	80,000
\$6.23	1,005,322	—	—	(300,000)	705,322	6.17	423,193
\$6.51	360,000	—	—	—	360,000	5.18	288,000
	<b>3,535,997</b>	<b>—</b>	<b>(150,000)</b>	<b>(300,000)</b>	<b>3,085,997</b>	<b>n/a</b>	<b>1,812,763</b>

The following table summarizes information about the Share Option Plan as of October 3, 2020:

Exercise price per option	Outstanding number of options at September 28, 2019	Options granted during the period	Options exercised during the period	Options forfeited during the period	Outstanding number of options at October 3, 2020	Weighted average remaining life	Number of options exercisable
\$4.28	—	250,000	—	—	250,000	9.46	—
\$4.59	830,000	—	—	—	830,000	4.64	830,000
\$4.68	—	563,500	—	—	563,500	9.16	—
\$5.58	447,175	—	—	—	447,175	8.17	89,435
\$5.61	80,000	—	—	—	80,000	1.46	80,000
\$6.23	1,005,322	—	—	—	1,005,322	7.17	402,129
\$6.51	360,000	—	—	—	360,000	6.17	216,000
	<b>2,722,497</b>	<b>813,500</b>	<b>—</b>	<b>—</b>	<b>3,535,997</b>	<b>n/a</b>	<b>1,617,564</b>

Options outstanding held by key management personnel amounted to 2,765,997 options as at October 2, 2021 and 2,915,997 options as at October 3, 2020 (see Note 29, Key management personnel).

**24. SHARE-BASED COMPENSATION (CONTINUED)**

## (b) Cash-settled share-based compensation-performance share units ("PSU"):

## Fiscal 2021 grant:

On December 7, 2020, a total of 491,412 PSUs were granted to certain executives and other members of the management team at a price of \$5.59. In addition, an aggregate of 23,810 PSUs at a weighted-average share price of \$5.66 were allocated as a result of the dividend paid during the quarters since inception, as the participants also receive dividend equivalents paid in the form of PSUs. As at October 2, 2021, an aggregate of 515,222 PSUs was outstanding. These PSUs will vest at the end of the 2021-2023 performance cycle based on the achievement of total shareholder returns set by the Board of Directors of the Company. Following the end of a performance cycle, the Board of Directors of the Company will determine, and to the extent only that the vesting conditions include financial conditions, concurrently with the release of the Company's financial and/or operational results for the fiscal year ended at the end of the performance cycle, whether the vesting conditions for the PSUs granted to a participant relating to such performance cycle have been achieved. Depending on the achievement of the vesting conditions, between 0% and 200% of the PSUs will become vested.

The Board of Directors of the Company has the discretion to determine that all or a portion of the PSUs granted to a participant for which the vesting conditions have not been achieved shall vest to such participant.

The value to be paid-out to each participant will be equal to the result of: the number of PSUs granted to the participant which have vested, multiplied by the volume weighted average closing price of the Common Shares on the Toronto Stock Exchange (the "TSX") for the five trading days immediately preceding the day on which the Company shall pay the value to the participant under the PSU plan, and such date will in no event occur after December 31 of the third calendar year following the calendar year in which the PSUs are granted.

The fair values were established using the Monte Carlo model. The fair value as at grant date was \$664,000 and \$269,000 as at October 2, 2021. An expense of \$55,000 was recorded for the period ending October 2, 2021. The liabilities arising from the PSUs as at October 2, 2021 were \$55,000.

## Fiscal 2020 grant:

On December 2, 2019, a total of 324,932 PSUs were granted to certain executives and other members of the management team. In addition, an aggregate of 41,581 PSUs at a weighted-average share price of \$5.21 were allocated as a result of the dividend paid during the quarters since inception, as the participants also receive dividend equivalents paid in the form of PSUs. As at October 2, 2021, an aggregate of 366,513 PSUs was outstanding. These PSUs will vest at the end of the 2020-2022 performance cycle based on the achievement of total shareholder returns set by the Board of Directors of the Company

The fair values were established using the Monte Carlo model. The fair value as at grant date was \$64,000 and \$13,000 as at October 2, 2021 (October 3, 2020 - \$89,000). A gain of \$12,000 was recorded for the period ending October 2, 2021 (October 3, 2020 - expense of \$19,000) in administration and selling expenses. The liabilities arising from the PSUs as at October 2, 2021 were \$7,000 (October 3, 2020 - \$19,000).

## Fiscal 2019 grant:

On December 3, 2018, an aggregate of 290,448 PSUs was granted by the Company. In addition, an aggregate of 58,553 PSUs at a weighted-average share price of \$5.38 were allocated as a result of the dividend paid during the quarters since inception, as the participants also receive dividend equivalents paid in the form of PSUs. As at October 2, 2021, an aggregate of 349,001 PSUs was outstanding. These PSUs will vest at the end of the 2019-2021 performance cycle.

The fair values were established using the Monte Carlo model. The fair value as at grant date was \$308,000 and \$nil as at October 2, 2021 (October 3, 2020 - \$43,000). A gain of \$22,000 was recorded for the period ending October 2, 2021 (October 3, 2020 - an expense of \$15,000) in administration and selling expenses. The liabilities arising from the PSUs as at October 2, 2021 were \$nil (October 3, 2020 - \$22,000)



## 25. COMMITMENTS

As at October 2, 2021, the Company had commitments to purchase a total of 1,082,000 metric tonnes of raw cane sugar up to fiscal 2024 (October 3, 2020 - 1,496,000 up to fiscal 2024), of which 261,309 metric tonnes had been priced (October 3, 2020 - 383,574), for a total dollar commitment of \$144.3 million (October 3, 2020 - \$150.0 million). In addition, the Company has a commitment of approximately \$42.7 million (October 3, 2020 - \$22.9 million) for sugar beets to be harvested and processed in fiscal 2022.

TMTC has \$23.1 million (October 3, 2020 - \$4.1 million) remaining to pay related to an agreement to purchase approximately \$32.7 million (10.7 million pounds) (October 3, 2020 - \$12.2 million; 4.0 million pounds) of maple syrup from the PPAQ in fiscal 2022. In order to secure bulk syrup purchases, the Company issued an insurance bond for an amount of \$16.9 million in favor of the PPAQ (October 3, 2020 - letter of guarantee in the amount of \$14.5 million). The insurance bond expires on March 1, 2022.

During the fiscal year ended October 2, 2021, the Company entered into capital commitments to complete its capital projects for a total value of \$17.2 million (October 3, 2020 - \$23.6 million) to be incurred in fiscal 2022.

## 26. CONTINGENCIES

The Company, in the normal course of business, becomes involved from time to time in litigation and claims. While the final outcome with respect to claims and legal proceedings pending as at October 2, 2021 cannot be predicted with certainty, management believes that no provision was required and that the financial impact, if any, from claims related to normal business activities will not be material.

## 27. EARNINGS PER SHARE

Reconciliation between basic and diluted earnings per share is as follows:

	For the fiscal years ended	
	October 2, 2021	October 3, 2020
	\$	\$
Basic earnings per share:		
Net earnings	47,527	35,419
Weighted average number of shares outstanding	103,581,358	103,973,735
Basic earnings per share	0.46	0.34
Diluted earnings per share:		
Net earnings	47,527	35,419
Plus impact of convertible unsecured subordinated debentures and share options	6,149	2,348
	53,676	37,767
Weighted average number of shares outstanding:		
Basic weighted average number of shares outstanding	103,581,358	103,973,735
Plus impact of convertible unsecured subordinated debentures and share options	17,977,603	6,952,179
	121,558,961	110,925,914
Diluted earnings per share	0.44	0.34

As at October 2, 2021, the share options representing 46,870 common shares, were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive. As at October 3, 2020, the share options and the Seventh series debentures, representing 11,025,424 common shares, were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive.

**28. SUPPLEMENTARY CASH FLOW INFORMATION**

	<b>October 2, 2021</b>	October 3, 2020	September 28, 2019
	\$	\$	\$
Non-cash transactions:			
Additions of property, plant and equipment and intangible assets included in trade and other payables	<b>1,638</b>	1,239	294
Increase in asset retirement obligation provision included in property, plant and equipment	<b>3,231</b>	100	70
Additions to right-of-use assets	<b>2,724</b>	11,818	—

**29. KEY MANAGEMENT PERSONNEL**

The Board of Directors as well as the executive team, which include the President and all the Vice-Presidents, are deemed to be key management personnel of the Company. The following is the compensation expense for key management personnel:

	<b>For the fiscal years ended</b>	
	<b>October 2, 2021</b>	October 3, 2020
	\$	\$
Salaries and short-term benefits	<b>3,238</b>	3,989
Attendance fees for members of the Board of Directors	<b>967</b>	962
Post-employment benefits	<b>143</b>	164
Share-based compensation (note 24)	<b>128</b>	194
	<b>4,476</b>	5,309

**30. PERSONNEL EXPENSES**

	For the fiscal years ended	
	October 2, 2021	October 3, 2020
	\$	\$
Wages, salaries and employee benefits	101,740	98,887
Expenses related to defined benefit plans (note 20)	8,592	5,576
Expenses related to defined contributions plans	5,870	5,615
Share-based compensation (note 24)	128	194
	<b>116,330</b>	<b>110,272</b>

The personnel expenses were charged to the consolidated statements of earnings and comprehensive income (loss) or capitalized in the consolidated statements of financial position as follows:

	For the fiscal years ended	
	October 2, 2021	October 3, 2020
	\$	\$
Cost of sales	95,236	89,046
Administration and selling expenses	19,058	19,445
Distribution expenses	1,649	1,494
	<b>115,943</b>	<b>109,985</b>
Property, plant and equipment	387	287
	<b>116,330</b>	<b>110,272</b>

**31. RELATED PARTIES**

Lantic has outstanding redeemable Class B special shares of \$44.5 million that are retractable and can be settled at Lantic's option by delivery of a note receivable from Belkorp Industries Inc., having the same value. The note receivable bears no interest and has no fixed terms of repayment. The Class B special shares are entitled to vote, but on a pro rata basis at a meeting of shareholders of Lantic. Under the terms of a voting trust agreement between Belkorp Industries Inc. and Rogers, Rogers is entitled to vote the Class B special shares so long as they remain outstanding. Due to the fact that Lantic has the intent and the legal right to settle the note receivable with the redeemable Class B special shares, these amounts have been offset and, therefore, are not presented on the consolidated statements of financial position.

Belkorp Industries Inc. also controls, through Lantic Capital, the two Lantic Class C shares issued and outstanding. The Class C shares entitle Lantic Capital to elect five of the seven directors of Lantic, but have no other voting rights at any meetings of shareholders of Lantic, except as may be required by law.

**32. SEGMENTED INFORMATION**

The Company has two operating and reportable segments, sugar and maple products. The principal business activity of the sugar segment is the refining, packaging and marketing of sugar products. The Maple products segment processes pure maple syrup and related maple products. The reportable segments are managed independently as they require different technology and capital resources. Performance is measured based on the segments' gross margins and results from operating activities. These measures are included in the internal management reports that are reviewed by the Company's President and CEO, and management believes that such information is the most relevant in the evaluation of the results of the segments.

Transactions between reportable segments are interest receivable (payable), which are eliminated upon consolidation.

	For the fiscal year ended October 2, 2021			
	Sugar	Maple products	Corporate and eliminations	Total
	\$	\$	\$	\$
Revenues	668,118	225,813	—	893,931
Cost of sales	547,089	207,098	—	754,187
Gross margin	121,029	18,715	—	139,744
Depreciation and amortization	18,180	7,031	—	25,211
Results from operating activities	78,905	7,231	(1,639)	84,497
Additions to property, plant and equipment and intangible assets, net of disposals	23,574	1,222	—	24,796
Increase in asset retirement obligation provision included in property, plant and equipment	3,231	—	—	3,231
Additions to right-of-use assets	1,863	861	—	2,724

	For the fiscal year ended October 2, 2021			
	Sugar	Maple products	Corporate and eliminations	Total
	\$	\$	\$	\$
Total assets	804,366	240,975	(165,411)	879,930
Total liabilities	(923,697)	(139,184)	501,909	(560,972)

32. SEGMENTED INFORMATION (CONTINUED)

	For the fiscal year ended October 3, 2020			
	Sugar	Maple products	Corporate and eliminations	Total
	\$	\$	\$	\$
Revenues	631,263	229,538	—	860,801
Cost of sales	526,175	208,427	—	734,602
Gross margin	105,088	21,111	—	126,199
Depreciation and amortization	16,890	6,588	—	23,478
Results from operating activities	62,382	7,147	(1,519)	68,010
Additions to property, plant and equipment and intangible assets, net of disposals	20,611	6,569	—	27,180
Increase in asset retirement obligation provision included in property, plant and equipment	100	—	—	100
Additions to right-of-use assets	14,550	8,303	—	22,853

	For the fiscal year ended October 3, 2020			
	Sugar	Maple products	Corporate and eliminations	Total
	\$	\$	\$	\$
Total assets	776,105	246,451	(166,497)	856,059
Total liabilities	(946,944)	(261,439)	622,515	(585,868)

Revenues were derived from customers in the following geographic areas:

	For the fiscal years ended	
	October 2, 2021	October 3, 2020
	\$	\$
Canada	666,536	637,781
United States	158,248	142,888
Europe	31,696	44,368
Other	37,451	35,764
	893,931	860,801

Substantially all of the non-current assets are located in Canada.

# Rogers Sugar Inc.

## CORPORATE INFORMATION

### DIRECTORS

M. Dallas H. Ross, <sup>(1)</sup> <sup>(3)</sup>  
Chairman and Partner  
Kinetic Capital Limited Partnership

Dean Bergmame, <sup>(2)</sup> <sup>(3)</sup>  
Director

William S. Maslechko, <sup>(3)</sup>  
Partner  
Burnet, Duckworth & Palmer LLP

Daniel Lafrance, <sup>(1)</sup> <sup>(2)</sup>  
Director

Gary Collins, <sup>(2)</sup> <sup>(3)</sup>  
Senior Advisor  
Lazard Group

Stephanie Wilkes, <sup>(3)</sup>  
Director

(1) Nominees to Board of Directors of Lantic Inc.

(2) Audit Committee Members

(3) Environmental, Social and Governance Committee

### LEGAL COUNSEL

Davies, Ward, Phillips & Vineberg  
Montreal, Quebec

### TRADING SYMBOL

RSI

### STOCK EXCHANGE LISTING

The Toronto Stock Exchange

### ANNUAL MEETING

The annual meeting of Shareholders  
will be held virtually February 9, 2022

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### INVESTOR RELATIONS

Jean-Sébastien Couillard  
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lanticrogers.com

# Operating Companies

## CORPORATE INFORMATION — MANAGEMENT

### DIRECTORS

M. Dallas H. Ross, <sup>(1)</sup>  
Chairman & CEO  
Kinetic Capital Limited Partnership

Gary Collins, <sup>(2)</sup>  
Senior Advisor  
Lazard Group

Michael Heskin, <sup>(2)</sup>  
Vice President Finance and CFO  
Belcorp Industries Inc.

Donald G. Jewell,  
Managing Partner  
RIO Industrial

Daniel Lafrance, <sup>(1) (2)</sup>  
Director

William S. Maslechko,  
Partner  
Burnet, Duckworth & Palmer LLP

Michael Walton,  
President and Chief Executive Officer  
Lantic Inc.

<sup>(1)</sup> Rogers Sugar Inc. Nominees

<sup>(2)</sup> Audit Committee Members

### OFFICERS

Michael Walton,  
President and Chief Executive Officer

Jean-Sébastien Couillard,  
Vice President Finance,  
Chief Financial Officer  
and Corporate Secretary

Patrick Dionne,  
Vice President, Operations and  
Supply Chain

Jean-François Khalil,  
Vice President,  
Human Resources

Rod Kirwan,  
Vice President,  
Sales and Marketing

### AUDITORS

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*Lantic*



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